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VANDERBILT

How Vanderbilt Drove Out Competitors — The Corruption of Officials — Patriotism at a Safe Distance — A Legalized Theft of $44,000,000 and Vanderbilt's Huge Loot — Vanderbilt's Methods in War (Pages 273 to 370)

HISTORY OF THE GREAT AMERICAN FORTUNES

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BY

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PUBLISHERS' NOTE

For more than a quarter of a century, Gustavus Myers' *History of the Great American Fortunes* has stood unassailed as a document that has recorded and made national history. As a source book, it has provided materials and reputations for many writers of the first rank.

When *History of the Great American Fortunes* was written in 1909, America was on the threshold of a flourishing iconoclastic era. The post-Civil War industrialization of the country had produced financial titans who inspired a literature of glorification. With the turn of the century, popular revulsion to the saccharine praises of the newly emerged plutocracy brought into favor a new and opposite type of writer. The reaction against panegyrics in behalf of the multimillionaires took form in a clamor against "malefactors of great wealth." The books and articles of crusaders like Ray Stannard Baker, Ida Tarbell, Lincoln Steffens, Herbert Casson and Charles Edward Russell found immense public support. Their revelations were always sensational and vividly personalized. For the most part, they dealt with the private lives and individual vagaries of great magnates, and, in general, overlooked their social significance.

At the same time, Gustavus Myers was gathering and sifting his huge accumulation of solid facts. The incontrovertibility of his findings, when they appeared in book form, created a different and deeper sensation than did the more transitory exposés of mere personalities. There was no denunciation, no loose editorializing. The facts were all recorded and documented with references and direct citations from authentic official records. The reader was left to draw his own conclusions.

No one has yet challenged a single fact in Mr. Myers' work. Every statement is made with the authority of corroborated and proven evidence. At no time did he indulge in tirades against personal traits, dispositions or temperaments. He was not concerned with the good or bad qualities of the individual founders and perpetuators of great fortunes. His only interest was in the means whereby great fortunes were acquired and the purposes for which they were used.

Where the vogue for the more lurid revelations of gigantic scandals has long since passed, the research and conclusions drawn in *History of the Great American Fortunes* have withstood every test of time. The book has the same vitality and accuracy it had in the first decade of the twentieth century. Moreover, the additions made to bring this work completely up to date make it a definitive history of the fortunes that have been amassed during and since the World War. In order to record the changes that have taken place during the last twenty-five years, Mr.

Myers has made addenda and extensive revisions to every chapter of his book. Old fortunes are examined in their rise or fall. New ones are introduced and analyzed with the same objective scrutiny. This edition of *History of the Great American Fortunes* is, therefore, an entirely new book, retaining all of its original importance and acquiring even greater significance by the inclusion of data hitherto unrevealed.

John Chamberlain has said of Mr. Myers' book that it is "a classic, a masterpiece of digging in archives." The Modern Library edition, complete and unabridged, with supplementary revelations on contemporary fortunes, is a lasting contribution to the literature of the whole social and economic pattern of America.

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PREFACE TO THE 1936 EDITION

WHEN the research on *History of the Great American Fortunes* was originally undertaken, I was in no sense a radical. My state of mind was that of a political reformer, and some years were to elapse before I grasped the significance of economic considerations and changes. In the course of research upon my *The History of Tammany Hall* I had come across some documentary facts which severely shattered the inculcated conception that, with an exception here and there, the great private fortunes were unquestionably the result of thrift and sagacious ability. When *The History of Tammany Hall* was finished in 1900, I decided to devote further years to exploratory research upon the actual genesis and development of great American fortunes, and proceeded in the work.

But up to and at that time the fashion of romanticizing and eulogizing the careers of men of great wealth was fixed in the publishing world. Volumes had been issued presenting the magnates as marvels of achievement and as models for emulation by American youth. Naturally, therefore, I was desirous of ascertaining whether a work which told the truth would have any chance of publication. To this end, after I had continued in my research, I wrote to several leading New York publishers. The head of one of the oldest established houses wrote to me on November 12, 1901:

"My dear Sir—I am obliged to you for the suggestion in your favor of the 11th inst. concerning the publication of the volume you have in plan which would present a *History of the Great American Fortunes.* I judge that such a volume, prepared with adequate knowledge of the material to be considered, and with proper literary skill, ought to prove of no little popular interest. I doubt, however, whether ——— would be the best people to handle effectively such a book as you have in mind. It seems to me (and I find on this point my partners are in accord with me) that if the narratives were presented with accuracy, they must, of necessity, contain certain statements or data which would be considered objectionable by the present representatives of the families concerned. ——— [his firm] would be unwilling to print any book which could be criticized as incorrect or as attempting to 'whitewash' more or less unsavory careers.

"They would also, however, be unwilling to associate their imprint with any volumes which would give cause for offense to living persons who are, as a rule, entirely free from responsibility in regard to the actions of their ancestors.

"As a practical example, it would not be possible to present the career of Jay Gould without describing in pretty plain English certain noteworthy undertakings in which he was concerned. On the other hand we should be entirely unwilling to print anything that could possibly cause offense to his daughter, Helen Gould, who is one of the best citizens in this country.

"It seems to us that this difficulty is fatal, at least as far as our connection with such a work is concerned. It is very possible that some more enterprising or less scrupulous house might be ready to give favorable consideration to the plan. I am, yours faithfully."

The writer of that letter was a member of political reform organizations; he had served as a foreman of a noted grand jury which exposed Tammany corruption.

The next publishing house that I approached was a newer but large and prosperous concern which, in addition to an outpouring of books, published what was generally termed an "uplift" magazine. The reply, dated November 23, 1901, to me from a principal in this firm ran:

"Dear Mr. Myers: I have been talking with my partners about your proposed book, and we all feel that there's a *possibility* for a volume on the subject you mention. Our chief fear is that it be of such a nature in some cases—notably that of Jay Gould—as to get us into a great deal of trouble. The most interesting point about it, commercially, would be its bearing on the idea of American achievement and the suggestion to the ambitious man of today as to how great fortunes have been made—and I know this is by no means the interesting part to you. Why not go ahead and lay out a very complete list of chapters, so that we can get an idea of the way in which you treat the subject: you might also write a chapter. If you can send us these we can probably be much more definite. Very truly yours."

I need not point out the attempt to hold out to me the financial rewards that would follow from presenting the conventionally alluring account of the careers of men of great wealth. The writer of this letter, who thus proposed to have me inform the ambitious as to how to repeat the process of making great fortunes, later became a noted figure in our national life, and after his death a highly laudatory book was written about him.

In the case of *History of the Great American Fortunes* I had the same experience as I had had with *The History of Tammany Hall.* Regarding the latter book, not a single publisher in New York or elsewhere would publish it, one New York publisher informing me that he "did not care to lock horns with Tammany Hall." That book had to be brought out privately. But later young, fearless men came into the publishing world; and in 1917 Horace Liveright brought out a regular edition of the book on Tammany with additions to date. *History of the Great American Fortunes* could not find a reception—often it could not even get a hearing—in any regular publishing house and it had to be brought out in Chicago.

When it did appear, most leading reviewers scorned or derided it. "Mr. Myers' book," wrote one of them in the *New York Times,* "proves too much for his own case, and leaves such a bad taste in the mouth that readers may be cordially advised to read something else." Another announced in the *New York Sun*: "Mr. Myers has unfortunately become afflicted with the plutophobia that prevails in some quarters." Concluding a screed in the *New York Mail,* the reviewer declared: "As the American people, up to this time, are frankly and fully attached to this system, and all expect to get rich under it sometime themselves, it would undoubtedly have been better policy, if he hoped to be read and regarded, for Mr. Myers to conceal his opinions." So accustomed were the generality of reviewers to books of opinions that they became confused by a book of documentary facts, and did not know how to appraise facts when confronted with them. Although in editorial after editorial the *New York World* had, in the most unmeasured language, denounced the criminal looting done by certain individuals and corporations, its reviewer objected to my summing up of the facts as "declamatory."

However, a few reviewers did recognize the force of those facts but they found other grounds for condemnation. The *New York Evening Post* found "a lack of intellectual balance in discussion and of judicial care in the statement of facts" in my book, and the *Springfield Republican,* while declaring of it that "there is no question as to his facts," yet reprobated my language in dealing with them as "intemperate." " 'Why all this stirring up of foul pools?' " asked a reviewer in the *New Orleans Times.* As for the professional groups they in general could not stomach a book which, avoiding the theorizing pussyfoot method common to them, gave facts and presented them in an outspoken, straightforward way. The *Annals of the American Academy* dismissed *History of the Great American Fortunes* as "lacking scholarly finish;" another academic publication waved it aside as devoid of the "judicial poise of the historian"; and a third condemned it as "a very crude attempt."

However, the mass of such reviews was relieved by some throughout America that did speak well of the book, and I cannot better illumine the obstacles that it encountered than by quoting the beginning of a review by Ira B. Cross and published in the *San Francisco Evening Bulletin,* on July 23, 1910. He wrote: "From time immemorial paid biographers, parasitical panegyrists, preachers and Sunday-school teachers have sung the praises of the rich and wealthy citizens of the land; muckrakers have muckraked Rockefeller and members of the Standard Oil Company group until a magazine no longer sells merely because it is publishing stories of graft and corruption; books have been published by the score telling magnificent and marvelous tales concerning the holders of great fortunes of the United States, but it has fallen to the lot of Gustavus Myers to write the first full and authentic account of the actual sources of these vast accumulations of wealth and to disclose the methods used in their acquisition. His *History of the Great American Fortunes* marks an era in the field of economic research. Mr. Myers is unlike most authors in that he has no axe to grind, has no philosophy to preach, he has no monthly check from capitalist or corporation. He is a searcher after truth, and unlike most writers, he does not hesitate to publish the facts when he finds them, be they good or bad."

It was precisely because of the propaganda system of adulation here described that I felt impelled to write this book forcefully, driving home the truth from the facts that the wealth of magnates came from sources altogether different from those represented by the crews of puffers and the staffs of adroit publicity men.

Apart from the squads of paid or acquiescent eulogists, there were many persons who had been taught, or somehow imbibed the idea, that no matter how acquired, great fortunes were a blessing to the American people. Thus typically a reviewer in the magazine *Smart Set* passed his judgment on my book: "I am firmly convinced that the growth of great fortunes has been of enormous *net* advantage to the United States—that is to say, that the average American has gained thereby a good deal more than he has lost. True enough, he has been looted unmercifully, day in and day out, but the money thus wrested from him by guile has been spent for national comforts and conveniences in which, in the main, he fully shares. . . What difference does it make to the common people whether their money is extracted from them by the government or by peculiarly enterprising private citizens, so long as a fair portion of it is spent for their good?" And he descanted upon the hospitals, colleges, Foundations and other institutions endowed by men of great wealth as proof of his contention that great private wealth was indispensable.

Since that was written, more than a quarter of a century ago, the spirit of a large part of the American people has advanced a long way. In at least one notable respect the rich man is no longer allowed a privilege that he long enjoyed. Wealth, once regarded as a vested and sacred right, has ceased to be so considered. Heavy tax levies, both Federal and State, on inheritances, incomes and on corporation profits have cut heavily into the larger fortunes. Since 1924, surtaxes have been increased from a relatively low amount to a present rate which progresses so rapidly as incomes grow that on a net income of $500,000 the surtax is nearly one-half. Of every net income over $1,000,000 surtaxes and normal taxes in 1935 took a total of 63 per cent. But that same law has had loopholes of which advantage has often been taken, and there have been many cases of evasion otherwise. The rich man has to pay a gift tax if he hands over his wealth to his family, and he cannot effectively resort, as ultra-rich men long did, to preserving fully that wealth by gifts for philanthropies and the consequent glorification of their names, since only 15 per cent of income donated for charity is free from tax. Inheritance taxes take a considerable share of estates.

Thus recent years have seen introduced what is the equivalent of a limitation on income from wealth. Now there is the proposal to go a step further. We heard President Franklin D. Roosevelt, in a message to Congress, on June 19, 1935, declare the principle: "The transmission from generation to generation of vast fortunes by will, inheritance or gift is not consistent with the ideals and sentiments of the American people. Great accumulations of wealth cannot be justified on the basis of personal or family security. Such inherited economic power is as inconsistent with the ideals of this generation as inherited political power was inconsistent with the ideals of the generation which established our government."

What part *History of the Great American Fortunes* had in influencing public opinion is not for me to say. But this much is proper and justifiable: For years this book had what might be called an underground circulation. That is to say, it was barred by colleges, ignored by publicists, received no notice, and was altogether left to an uncertain fate. But as time went on colleges and universities and public libraries found that they had to have it, professors used and quoted it, public reference to it became more and more frequent, it was used on the floor of Congress, and there came a new generation of reviewers who (I suppose I may say so) found contents and treatment conform to their views and liking, and gave the book increased prominence. Nor should I fail to add—what is the strict truth—a number of authors in recent years have patterned their books on wealthy men along the lines of *History of the Great American Fortunes,* and some have pirated liberally from the original facts there set forth.

To deal with the methods by which some of the great American fortunes have been amassed—fortunes such as the Rockefeller, Andrew W. Mellon and some others—would be superfluous in this new edition. They have been dealt with, more or less adequately, by other writers. I have, however, made revisions and enlargements, and have included additional material as to several great fortunes not covered in the previous edition.

If we may accept President Franklin D. Roosevelt as the spokesman of dominant American sentiment, we at least have arrived at the point of not approving the hereditary transmission of wealth. His stand in this respect is fully confirmed by the historic facts of the development of America's career. These facts, I may here interpolate, were the substance of my *History of American Idealism*, published in 1925. That book showed how in successive stages the American people at large had abolished one kind of inequality after another, and it pointed out that the next logical step indicated was the establishment of some practicable measure of economic equality. In an article published in *Century Magazine*, in November, 1926, I elaborated upon this conclusion and moral of the book.

Whether the next pronounced development of American sentiment will be to effect changes making impossible the accumulation of great private wealth during lifetime, as well as the holding thereafter, is a matter for future determination. My business is purely that of a historian, relating what has been done, and not venturing into theoretical or speculative fields as to the adoption of this or that system.

GUSTAVUS MYERS.

PREFACE TO THE 1909 EDITION

IN WRITING this work my aim has been to give the exact facts as far as the available material allows. Necessarily it is impossible, from the very nature of the case, to obtain all the facts. It is obvious that in both past and present times the chief beneficiaries of our social and industrial system have found it to their interest to represent their accumulations as the rewards of industry and ability, and have likewise had the strongest motives for concealing the circumstances of all those complex and devious methods which have been used in building up great fortunes. In this they have been assisted by a society so constituted that the means by which these great fortunes have been amassed have been generally lauded as legitimate and exemplary.

The possessors of towering fortunes have hitherto been described in two ways. On the one hand, they have been held up as marvels of success, as preëminent examples of thrift, enterprise and extraordinary ability. More recently, however, the tendency in certain quarters has been diametrically the opposite. This latter class of writers, intent upon pandering to a supposed popular appetite for sensation, pile exposure upon exposure, and hold up the objects of their diatribes as monsters of commercial and political crime. Neither of these classes has sought to establish definitely the relation of the great fortunes to the social and industrial system which has propagated them. Consequently, these superficial effusions and tirades—based upon a lack of understanding of the propelling forces of society—have little value other than as reflections of a certain aimless and disordered spirit of the times. With all their volumes of print, they leave us in possession of a scattered array of assertions, bearing some resemblance to facts, which, however, fail to be facts inasmuch as they are either distorted to take shape as fulsome eulogies or as wild, meaningless onslaughts.

They give no explanation of the fundamental laws and movements of the present system, which have resulted in these vast fortunes; nor is there the least glimmering of a scientific interpretation of a succession of states and tendencies from which these men of great wealth have emerged. With an entire absence of comprehension, they portray our multimillionaires as a phenomenal group whose sudden rise to their sinister and overshadowing position is a matter of wonder and surprise. They do not seem to realize for a moment—what is clear to every real student of economics—that the great fortunes are the natural, logical outcome of a system based upon factors the inevitable result of which is the utter despoilment of the many for the benefit of a few.

This being so, our plutocrats rank as nothing more or less than as so many unavoidable creations of a set of processes which must imperatively produce a certain set of results. These results we see in the accelerated concentration of immense wealth running side by side with a propertyless, expropriated and exploited multitude.

The dominant point of these denunciatory emanations, however, is that certain of our men of great fortune have acquired their possessions by dishonest methods. These men are singled out as especial creatures of infamy. Their doings and sayings furnish material for many pages of assault. Here, again, an utter lack of knowledge and perspective is observable. For, while it is true that the methods employed by these very rich men have been, and are, fraudulent, it is also true that they are but the more conspicuous types of a whole class which, in varying degrees, has used precisely the same methods, and the collective fortunes and power of which have been derived from identically the same sources.

In diagnosing an epidemic, it is not enough that we should be content with the symptoms; wisdom and the protection of the community demand that we should seek and eradicate the cause. Both wealth and poverty spring from the same essential cause. Neither, then, should be indiscriminately condemned as such; the all-important consideration is to determine why they exist, and how such an absurd contrast can be abolished.

In taking up a series of types of great fortunes, as I have done in this work, my object has not been the current one of portraying them either as remarkable successes or as unspeakable criminals. My purpose is to present a sufficient number of examples as indicative of the whole character of the vested class and of the methods which have been employed. And in doing this, neither prejudice nor declamation has entered. Such a presentation, I believe, cannot fail to be useful for many reasons.

It will, in the first place, satisfy a spirit of inquiry. As time passes, and the power of the propertied oligarchy becomes greater and greater, more and more of a studied attempt is made to represent the origin of that property as the product of honest toil and great public service. Every searcher for truth is entitled to know whether this is true or not. But what is much more important is for the people to know what have been the cumulative effects of a system which subsists upon the institutions of private property and wage-labor. If it possesses the many virtues that it is said to possess, what are these virtues? If it is a superior order of civilization, in what does this superiority consist?

This work will assist in explaining, for naturally a virtuous and superior order ought to produce virtuous and superior men. The kind and quality of methods and successful ruling men, which this particular civilization forces to the front, are set forth in this exposition. Still more important is the ascertainment of where these stupendous fortunes came from, their particular origin and growth, and what significance the concomitant methods and institutions have to the great body of the people.

I may add that in Part I no attempt has been made to present an exhaustive account of conditions in Settlement and Colonial times. I have merely given what I believe to be a sufficient résumé of conditions leading up to the later economic developments in the United States.

GUSTAVUS MYERS.

September 1, 1909.

PART I

CONDITIONS IN SETTLEMENT AND COLONIAL TIMES

Chapter I

THE GREAT PROPRIETARY ESTATES

THE noted private fortunes of settlement and colonial times were derived from the ownership of land and the gains of trading. Usually both had a combined influence and were frequently attended by agriculture. Throughout the colonies were scattered lords of the soil who held vast territorial domains over which they exercised an arbitrary and, in some portions of the colonies, a feudal sway.

Nearly all the colonies were settled by chartered companies, organized for purely commercial purposes and the success of which largely depended upon the emigration which they were able to promote. These corporations were vested with enormous powers and privileges which, in effect, constituted them as sovereign rulers, although their charters were subject to revision or amendment. The London Company, thrice chartered to take over to itself the land and resources of Virginia and populate its zone of rule, was endowed with sweeping rights and privileges which made it an absolute monopoly. The impecunious noblemen or gentlemen who transported themselves to Virginia to recoup their dissipated fortunes or seek adventure, encountered no trouble in getting large grants of land especially when after 1614 tobacco became a fashionable article in England and took rank as a valuable commercial commodity.

Over this colony now spread planters who hastened to avail themselves of this new-found means of getting rich. Land and climate alike favored them, but they were confronted with a scarcity of labor. The emergency was promptly met by the buying of white servants in England to be resold in Virginia to the highest bidder. This, however, was not sufficient, and complaints poured over to the English government. As the demands of commerce had to be sustained at any price, a system was at once put into operation of gathering in as many of the poorer English class as could be impressed upon some pretext, and shipping them over to be held as bonded laborers. Penniless and lowly Englishmen, arrested and convicted for any one of the multitude of offenses then provided for severely in law, were transported as criminals or sold into the colonies as slaves for a term of years. The English courts were busy grinding out human material for the Virginia plantations; and, as the objects of commerce were considered paramount, this process of disposing of what was regarded as the scum element was adjudged necessary and justifiable. No voice was raised in protest.

THE INTRODUCTION OF BLACK SLAVES

But, fast as the English courts might work, they did not supply laborers enough. It was with exultation that in 1619 the plantation owners were made acquainted with a new means of supplying themselves with adequate workers. A Dutch ship arrived at Jamestown with a cargo of Negroes from Guinea. The blacks were promptly bought at good prices by the planters. From this time forth the problem of labor was considered sufficiently solved. As chattel slavery harmonized well with the necessities of tobacco growing and gain, it was accepted as a just condition and was continued by the planters, whose interests and standards were the dominant factor.

After 1620, when the London Company was dissolved by royal decree, and the commerce of Virginia made free, the planters were the only factor. Virginia, it was true, was made a royal province and put under deputy rule, but the big planters contrived to get the laws and customs their self-interest called for. There were only two classes—the rich planters, with their gifts of land, their bond-servants and slaves and, on the other hand, the poor whites. A middle class was entirely lacking.

As the supreme staple of commerce and as currency itself, tobacco could buy anything, human, as well as inert, material. The labor question had been sufficiently vanquished, but not so the domestic. Wives were much needed; the officials in London instantly hearkened, and in 1620 sent over sixty young women who were auctioned off and bought at from one hundred and twenty to one hundred and sixty pounds of tobacco each. Tobacco then sold at three shillings a pound. Its cultivation was assiduously carried on. The use of the land mainly for agricultural purposes led to the foundation of numerous settlements along the shores, bays, rivers, and creeks with which Virginia is interspersed and which afforded accessibility to the sea ports. As the years wore on and the means and laborers of the planters increased, their lands became more extensive, so that it was not an unusual thing to find plantations of fifty or sixty thousand acres. But neither in Virginia nor in Maryland, under the almost regal powers of Lord Baltimore who had proprietary rights over the whole of his province, were such huge estates to be seen as were being donated in the Northern colonies, especially in New Netherlands and in New England.

FEUDAL GRANTS IN THE NORTH

In its intense aim to settle New Netherlands and make use of its resources, Holland, through the States General, offered extraordinary inducements to promoters of colonization. The prospect of immense estates, with feudal rights and privileges, was held out as the alluring incentive. The bill of Freedoms and Exemptions of 1629 made easy the possibility of becoming a lord of the soil with comprehensive possessions and powers. Any man who should succeed in planting a colony of fifty "souls," each of whom was to be more than fifteen years old, was to become at once a patroon with all the rights of lordship. He was permitted to own sixteen miles along shore or on one side of a navigable river. An alternative was given of the ownership of eight miles on one side of a river and as far into the interior "as the situation of the occupiers will permit." The title was vested in the patroon forever, and he was presented with a monopoly of the resources of his domain except furs and pelts. No patroon or other colonist was allowed to make woolen, linen, cotton or cloth of any material under pain of banishment.[1]

These restrictions were in the interest of the Dutch West India Company, a commercial corporation which had well-nigh dictatorial powers. A complete monopoly throughout the whole of its subject territory, it was armed with sweeping powers, a formidable equipment, and had a great prestige. It was somewhat of a cross between legalized piracy and a body of adroit colonization promoters. Pillage and butchery were often its auxiliaries, although in these respects it in nowise equalled its twin corporation, the Dutch East India Company, whose exploitation of Holland's Asiatic possessions was a long record of horrors.

THE DUTCH WEST INDIA COMPANY

The policy of the Dutch West India Company was to offer generous prizes for peopling the land while simultaneously forbidding competition with any of the numerous products or commodities dealt in by itself. This had much to do with determining the basic character of the conspicuous fortunes of a century and two centuries later. It followed, when native industries were forbidden or their output monopolized not only by the Dutch West India Company in New Netherlands, but by other companies elsewhere in the colonies, that ownership of land became the mainstay of large private fortunes, with agriculture as an accompanying factor. Subsequently the effects of this continuous policy were more fully seen when England by law after law paralyzed or closed up many forms of colonial manufacture. The feudal character of Dutch colonization, as carried on by the Dutch West India Company, necessarily created great landed estates, the value of which arose not so much from agriculture, as was the case in Virginia, Maryland and later the Carolinas and Georgia, but from the natural resources of the land. The superb primitive timber brought colossal profits in export, and there were also very valuable fishery rights where an estate bounded a shore or river. The pristine rivers were filled with great shoals of fish, to which the river fishing of the present day cannot be compared. As settlement increased, immigration pressed over, and more and more ships carried cargo to and fro, these estates became consecutively more valuable.

To encourage colonization to its colonies still further, the States Gen eral in 1635 passed a new decree. It repeated the feudal nature of the rights granted and made strong additions.

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[1] O'Callaghan's "History of New Netherlands," 1:112-120.

Did any aspiring adventurer seek to leap at a bound to the exalted position of patroonship? The terms were easy. All that he had to do was to found a colony of forty-eight adults and he had a liberal six years in which to do it. For his efforts he was allowed even more extensive grants of land than under the act of 1629. So complete were his powers of proprietorship that no one could approach within seven or eight miles of his jurisdiction without his express permission. His was really a principality. Over its bays, rivers, and islands, had it any, as well as over the mainland, he was given command forever. The dispensation of justice was his exclusive right. He and he only was the court with summary powers of "high, low and middle jurisdiction," which were harshly or capriciously exercised. Not only did he impose sentence for violation of laws, but he, himself, ordained those laws and they were laws which were always framed to coincide with his interests and personality. He had full authority to appoint officers and magistrates and enact laws. And finally he had the power of policing his domain and of making use of the titles and arms of his colonies. All these things he could do "according to his will and pleasure." These absolute rights were to descend to his heirs and assigns.[2]

OLD WORLD TRADERS BECOME FEUDAL LORDS

Thus, at the beginning of settlement times, the basis was laid in law and custom of a landed aristocracy, or rather a group of intrenched autocrats, along the banks of the Hudson, the shore of the ocean and far inland. The theory then prevailed that the territory of the colonies extended westward to the Pacific.

From these patroons and their lineal or collateral descendants issued many of the landed generations of families which, by reason of their wealth and power, proved themselves powerful factors in the economic and political history of the country. The sinister effects of this first great grasping of the land long permeated the whole fabric of society and were prominently seen before and after the Revolution, and especially in the third and fourth decades of the eighteenth century. The results, in fact, are traceable to this very day, even though laws and institutions are so greatly changed. Other colonies reflected the constant changes of government, ruling party or policy of England, and colonial companies chartered by England frequently forfeited their charters. But conditions in New Netherlands remained stable under Dutch rule, and the accumulation of great estates was intensified under English rule. It was in New York that, at that period, the foremost colonial estates and the predominant private fortunes were mostly held.

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[2] Documents Relating to the Colonial History of the State of New York, 1: 89-100.

The extent of some of those early estates was amazingly large. But they were far from being acquired wholly by colonization methods.

Many of the officers and directors of the Dutch West India Company were Amsterdam merchants. Active, scheming, self-important men, they were mighty in the money marts but were made use of, and looked down upon, by the old Dutch aristocracy. Having amassed fortunes, these merchants yearned to be the founders of great estates; to live as virtual princes in the midst of wide possessions, even if these were still comparative solitudes. This aspiration was mixed with the mercenary motive of themselves owning the land from whence came the furs, pelts, timber and the waters yielding the fishes.

One of these directors was Kiliaen van Rensselaer, an Amsterdam pearl merchant. In 1630 his agents bought for him from the Indians a tract of land twenty-four miles long and forty-eight broad on the west bank of the Hudson. It comprised, it was estimated, seven hundred thousand acres and included what are now the counties of Albany, Rensselaer, a part of Columbia County and a strip of what is at present Massachusetts. And what was the price paid for this vast estate? As the deeds showed, the munificent consideration of "certain quantities of duffels, axes, knives and wampum,"[3] which is equal to saying that the pearl merchant got it for almost nothing. Two other directors—Godyn and Bloemart—became owners of great feudal estates. One of these tracts, in what is now New Jersey, extended sixteen miles both in length and breadth, forming a square of sixty-four miles.[4]

So it was that these shrewd directors now combined a double advantage. Their pride was satisfied with the absolute lordship of immense areas, while the ownership of land gave them the manifold benefits and greater profits of trading with the Indians at first hand. From a part of the proceeds they later built manors which were contemplated as wonderful and magnificent. Surrounded and served by their retainers, agents, vassal tenants and slaves, they lived in princely and licentious style, knowing no law in most matters except their unrestrained will. They beheld themselves as ingenious and memorable founders of a potential landed aristocracy whose possessions were more extended than that of Europe. Wilderness much of it still was, but obviously the time was coming when the population would be fairly abundant. The laws of entail and primogeniture, then in full force, would operate to keep the estates intact and gifted with inherent influence for generations.

Along with their landed estates, these directors had a copious inflowing revenue. The Dutch West India Company was in a thriving condition. By the year 1629 it had more than one hundred full-rigged ships in commission. Most of them were fitted out for war on the commerce of other countries or on pirates. Fifteen thousand seamen and soldiers were on its pay-roll; in that one year it used more than one hundred thousand pounds of powder—significant of the grim quality of business done. It had more than four hundred cannon and thousands of other destructive weapons.[5] Anything conducive to profit, no matter if indiscriminate murder, was accepted as legitimate and justifiable functions of trade, and was imposed alike upon royalty, which shared in the proceeds, and upon the people at large. The energetic trading class, concentrated in the one effort of getting money, and having no scruples as to the means in an age when ideals were low and vulgar, had already begun to make public opinion in many countries, although this public opinion counted for little among submissive peoples. It was the king and the governing class, either or both, whose favor and declarations counted; and so long as these profited by the devious extortions and villainies of trade the methods were legitimatized, if not royally sanctified.

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[3] O'Callaghan, 1:124. Although it was said that Kiliaen van Rensselaer visited America, it seems to be established that he never did. He governed his estate as an absentee landgrave, through agents. He was the most powerful of all of the patroons.

[4] Ibid., 125.

AN ARISTOCRACY SOLIDLY GROUNDED

A more potentially robust aristocracy than that which was forming in New Netherlands could hardly be imagined. Resting upon gigantic gifts of land, with feudal accompaniments, it held a monopoly, or nearly one, of the land's resources. The old aristocracy of Holland grew jealous of the power and pretensions of what it frowned upon as an upstart trading clique and tried to curtail the rights and privileges of the patroons. These latter contended that their absolute lordship was indisputable; to put it in modern legal terminology that a contract could not be impaired. They elaborated upon the argument that they had spent a "ton of gold" (amounting to one hundred thousand guilders or forty thousand dollars) upon their colonies.[6] They not only carried their point, but their power was confirmed and enlarged.

Now was seen the spectacle of the middle-class men of the Old World, the traders, more than imitating—far exceeding—the customs and pretensions of the aristocracy of their own country which they had inveighed against, and setting themselves up as the original and mighty landed aristocracy of the new country. The patroons encased themselves in an environment of pomp and awe. Like so many petty monarchs each had his distinct flag and insignia; each fortified his domain with fortresses, armed with cannon and manned by his paid soldiery. The colonists were but humble dependents; they were his immediate subjects and were forced to take the oath of fealty and allegiance to him.[7]

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[5] Colonial Documents, 1:41. The primary object of this company was a monopoly of the Indian trade, not colonization. The "princely" manors were a combination fort and trading house, surrounded by moat and stockade.

[6] Colonial Documents, 1:86.

[7] "Annals of Albany," iii:287. The power of the patroons over their tenants, or serfs, was almost unlimited. No "man or woman, son or daughter, man servant or maid servant" could leave a patroon's service during the time that they had agreed to remain, except by his written consent, no matter what abuses or breaches of contract were committed by the patroon.

In the old country the soil had long since passed into the hands of a powerful few and was made the chief basis for the economic and political enslavement of the people. To escape from this thralldom many of the immigrants had endured hardships and privation to get here. They expected that they could easily get land, the tillage of which would insure them a measure of independence. Upon arriving they found vast available parts of the country, especially the most desirable and accessible portions bordering shores or rivers, preëmpted. An exacting and tyrannous feudal government was in full control. Their only recourse in many instances was to accept the best of unwelcome conditions and become tenants of the great landed functionaries and workers for them.

THE ABASEMENT OF THE WORKERS

The patroons naturally encouraged immigration. Apart from the additional values created by increased population, it meant a quantity of labor which, in turn, would precipitate wages to the lowest possible scale. At the same time, in order to stifle every aspiring quality in the drudging laborer, and to keep in conformity with the spirit and custom of the age which considered the worker a mere menial undeserving of any rights, the whole force of the law was made use of to bring about sharp discriminations. The laborer was purposely abased to the utmost and he was made to feel in many ways his particular low place in the social organization.

Far above him, vested with enormous personal and legal powers, towered the patroon, while he, the laborer, did not have the ordinary burgher right, that of having a minor voice in public affairs. The burgher right was made entirely dependent upon property, which was a facile method of disfranchising the multitude of poor immigrants and of keeping them down. Purchase was the one and only means of getting this right. To keep it in as small and circumscribed a class as possible the price was made abnormally high. It was enacted in New Netherlands in 1659, for instance, that immigrants coming with cargoes had to pay a thousand guilders for the burgher right.[8] As the average laborer got two shillings a day for his long hours of toil, often extending from sunrise to sunset, he had little chance of ever getting this sum together. The consequence was that the merchants became the burgher class; and all the records of the time seem to prove conclusively that the merchants were servile instruments of the patroons whose patronage and favor they assiduously courted. This deliberately pursued policy of degrading and despoiling the laboring class incited bitter hatreds and resentments, the effects of which were permanent.

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[8] "Burghers and Freemen of New York" :29.

Chapter II

The Sway of the Landgraves

While this seizure of land was going on in New Netherlands, vast areas in New England were passing suddenly into the hands of a few men. These areas sometimes comprised what are now entire States, and were often palpably obtained by fraud, collusion, trickery or favoritism. The Puritan influx into Massachusetts was an admixture of different occupations. Some were traders or merchants; others were mechanics. By far the largest portion were cultivators of the soil whom economic pressure not less than religious persecution had driven from England. To these, land was a paramount consideration.

Describing how the English tiller had been expropriated from the soil Wallace says: "The ingenuity of lawyers and direct landlord legislation steadily increased the powers of great landowners and encroached upon the rights of the people, till at length the monstrous doctrine arose that a landless Englishman has no right whatever to enjoyment even of the unenclosed commons and heaths and the mountain and forest wastes of his native country, but is everywhere in the eye of the law a trespasser whenever he ventures off a public road or pathway." [1] By the sixteenth century the English peasantry had been evicted even from the commons, which were turned into sheep walks by the impoverished barons to make money from the Flemish wool market. The land at home wrenched from them, the poor English immigrants ardently expected that in America land would be plentiful. They were bitterly disappointed. The various English companies, chartered by royal command with all-inclusive powers, despite the frequent opposition of Parliament, held the trade and land of the greater part of the colonies as a rigid monopoly. In the case of the New England Company severe punishment was threatened to all who should encroach upon its rights. It also was freed from payment for twenty-one years and was relieved from taxes forever.

THE COLONIES CARVED INTO GREAT ESTATES

The New England colonies were carved out into a few colossal private estates. The example of the British nobility was emulated; but the chartered companies did not have to resort to the adroit, disingenuous, subterranean methods which the English land magnates used in perpetuating their seizure, as so graphically described by S. W. Thackery in his work, "The Land and the Community." The land in New England was taken over boldly and arbitrarily by the directors of the Plymouth Company, the most powerful of all the companies which exploited New England. The handful of men who participated in this division, sustained with a high hand their claims and pretensions, and augmented and fortified them by every device. Quite regardless of who the changing monarch was, or what country ruled, these colonial magnates generally contrived to keep the power strong in their own hands. There might be a superficial show of changed conditions, an apparent infusion of democracy, but, in reality, the substance remained the same.

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[1] "Land Nationalization," :122-125.

This was nowhere more lucidly or strikingly illustrated than after New Netherlands passed into the control of the English and was renamed New York. Laws were decreed which seemed to bear the impress of justice and democracy. Monopoly was abolished, every man was given the much-prized right of trading in furs and pelts, and the burgher right was extended and its acquisition made easier.

However well-intentioned these altered laws were, they turned out to be shallow delusions. Under English rule, the gifts of vast estates in New York were even greater than under Dutch rule and beyond doubt were granted corruptly or by favoritism. Miles upon miles of land in New York which had not been preëmpted were brazenly given away by the royal Governor Fletcher for bribes; and it was suspected, although not clearly proved, that he trafficked in estates in Pennsylvania during the time when, by royal order, he supplanted William Penn in the government of that province. From the evidence which has come down it would appear that any one who offered Fletcher his price could be transformed into a great vested land owner. But still the people imagined that they had a real democratic government. Had not England established representative assemblies? These, with certain restrictions, alone had the power of law-making for the provinces. These representative bodies were supposed to rest upon the vote of the people, which vote, however, was determined by a strict property qualification.

THE LANDED PROPRIETORS THE POLITICAL RULERS.

What really happened was that, apparently deprived of direct feudal power, the landed interests had no difficulty in retaining their law-making ascendancy by getting control of the various provincial assemblies. Bodies supposedly representative of the whole people were, in fact, composed of great landowners, of a quota of merchants who were subservient to the landowners, and a sprinkling of farmers. In Virginia this state was long-continuing, while in New York province it became such an intolerable abuse and resulted in such oppressions to the body of the people, that on Sept. 20, 1764, Lieutenant-Governor Cadwallader Colden, writing from New York to the Lords of Trade at London, strongly expostulated. He described how the land magnates had devised to set themselves up as the law-making class. Three of the large land grants contained provisions guaranteeing to each owner the privilege of sending a representative to the General Assembly. These landed proprietors, therefore, became hereditary legislators. "The owners of other great Patents," Colden continued, "being men of the greatest opulence in the several American counties where these Tracts are, have sufficient influence to be perpetually elected for those counties. The General Assembly, then, of this Province consists of the owners of these extravagant Grants, the merchants of New York, the principal of them strongly connected with the owners of these Great Tracts by Family interest, and of Common Farmers, which last are men easily deluded and led away with popular arguments of Liberty and Privileges. The Proprietors of the great tracts are not only freed from the quit rents which the other land-holders in the Provinces pay, but by their influences in the Assembly are freed from every other public Tax on their lands." [2]

What Colden wrote of the landed class of New York was substantially true of all the other provinces. The small, powerful clique of great land-owners had cunningly taken over to themselves the functions of government and diverted them to their own ends. First the land was seized and then it was declared exempt of taxation.

Inevitably there was but one sequel. Everywhere, but especially so in New York and Virginia, the landed proprietors became richer and more arrogant, while poverty, even in new country with extraordinary resources, took root and continued to grow. The burden of taxation fell entirely upon the farming and laboring classes; although the merchants were nominally taxed they easily shifted their obligations upon those two classes by indirect means of trade. Usurious loans and mortgages became prevalent.

It was now seen what meaningless tinsel the unrestricted right to trade in furs was. To get the furs, access to the land was necessary; and the land was monopolized. In the South, where tobacco and corn were the important staples, the worker was likewise denied the soil except as a laborer or tenant, and in Massachusetts colony, where fortunes were being made from timber, furs and fisheries, the poor man had practically no chance against the superior advantages of the landed and privileged class. These conditions led to severe reprisals. Several uprisings in New York, Bacon's rebellion in Virginia, after the restoration of Charles II, when that king granted large tracts of land belonging to the colony to his favorites, and subsequently, in 1734, a ferment in Georgia, even under the mild proprietary rule of the philanthropist Oglethorpe, were all really outbursts of popular discontent largely against the oppressive form in which land was held and against discriminative taxation, although each uprising had its local issues differing from those elsewhere.

In this conflict between landed class and people, the only hope of the mass of the people lay in getting the favorable attention of royal governors. At least one of these considered earnestly and conscientiously the grave existing abuses and responded to popular protest which had become bitter.

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[2] Colonial Documents, vii:654-655.

A CONFLICT BETWEEN LAND MAGNATES AND PEOPLE

This official was the Earl of Bellomont. Scarcely had he arrived after his appointment as Captain-General and Governor of Massachusetts Bay, New York and other provinces, when he was made acquainted with the widespread discontent. The landed magnates had not only created an abysmal difference between themselves and the masses in possessions and privileges, but also in dress and air, founded upon strict distinctions in law. The landed aristocrat, with his laces and ruffles, his silks and his gold and silver ornaments and his expensive tableware, his consciously superior air and tone of grandiose authority, was far removed in established position from the mechanic or the laborer, with his coarse clothes and mean habitation. Laws were long in force in various provinces which prohibited the common people from wearing gold and silver lace silks and ornaments. Bellomont noted the sense of deep injustice smouldering in the minds of the people and set out to confiscate the great estates, particularly, as he set forth, as many of them had been obtained by bribery.

It was with amazement that Bellomont learned that one man, Colonel Samuel Allen, claimed to own the whole of what is now the State of New Hampshire. When, in 1635, the Plymouth Colony was about to surrender its charter, its directors apportioned their territory to themselves individually. New Hampshire went by lot to Captain John Mason who, some years before, had obtained a patent to the same area from the company. Charles I had confirmed the company's action. After Mason's death, his claims were bought up by Allen for about $1,250. Mason, however, left an heir, and protracted litigation followed. In the meantime, settlers taking advantage of these conflicting claims, proceeded to spread over New Hampshire and hew the forests for cleared agricultural land. Allen managed to get himself appointed governor of New Hampshire in 1692 and declared the whole province his personal property and threatened to oust the settlers as trespassers unless they came to terms. There was imminent danger of an uprising of the settlers, who failed to see why the land upon which they had spent labor did not belong to them. Bellomont investigated; and in a communication, dated June 22, 1700, to the Lords of Trade, denounced Allen's title as defective and insufficient, and brought out the charge that Allen had tried to get his confirmation of his, Allen's, claims by means of a heavy bribe.

ATTEMPTED BRIBERY CHARGED

"There was an offer made me," Bellomont wrote, "of £10,000 in money, but I thank God I had not the least tempting thought to accept of the offer and I hope nothing in this world will ever be able to attempt me to betray England in the least degree. This offer was made me three or four times." Bellomont added: "I will make it appear that the lands and woods claimed by Colonel Allen are much more valuable than ten of the biggest estates in England, and I will rate those ten estates at £300,000 a piece, one with another, which is three millions. By his own confession to me at Pescattaway last summer, he valued the Quit Rents of his lands (as he calls 'em) at £22,000 per annum at 3d per acre of 6d in the pound of all improv'd Rents; then I leave your lordships to judge what an immense estate the improv'd rents must be, which (if his title be allowed) he has as good a right to the forementioned Quit Rents. And all this besides the Woods which I believe he might very well value at half the worth of the lands. There never was, I believe, since the world began so great a bargain as Allen has had of Mason, if it be allowed to stand good, that all this vast estate I have been naming should be purchased for a poor £250 and that a desperate debt, too, as Col. Allen thought. He pretends to a great part of this province as far Westward as Cape St. Ann, which is said to take in 17 of the best towns in this province next to Boston, the best improved land, and, (I think Col. Allen told me) 8 or 900,000 acres of their land. If Col. Allen shall at any time go about to make a forcible entry on these lands he pretends to (for, to be sure, the people will never turn tenants to him willingly) the present occupants will resist him by any force he shall bring and the Province will be put to a combustion and what may be the course I dread to think. . . . "[3]

But the persistent Allen did not establish his claim. Several times he lost in the litigation, the last time in 1715. His death was followed by his son's death; and after sixty years of fierce animosities and litigation, the whole contention was allowed to lapse. Says Lodge: "His heirs were minors who did not push the controversy, and the claim soon sank out of sight to the great relief of the New Hampshire people, whose right to their homes had so long been in question." [4]

Similarly, another area, the entirety of what is now the State of Maine, went to the individual ownership of Sir Fernandino Gorges, the same who had betrayed Essex to Queen Elizabeth and who had received rich rewards for his treachery.[5] The domain descended to his grandson, Fernando Gorges, who, on March 13, 1677, sold it by deed to John Usher, a Boston merchant, for £1,250. The ominous dissatisfaction of the New Hampshire and other settlers with the monopolization of land was not slighted by the English government; at the very time Usher bought Maine, the government was on the point of doing the same thing and opening the land for settlement. Usher at once gave a deed of the province to the governor and company of Massachusetts, of which colony, and later, State, it remained a part until its creation as a State in 1820.[6]

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[3] Colonial Documents, iv: 673-674.

[4] "A Short History of the English Colonies in America" :402.

[5] Yet, this fortune seeker, who had incurred the contempt of every noble English mind, is described by one of the class of power-worshipping historians as follows: "Fame and wealth, so often the idols of *Superior Intellect,* were the prominent objects of this aspiring man."—Williamson's "History of Maine," 1:305.

[6] The Public Domain: Its History, etc.:38.

These were two notable instances of vast land grants which reverted to the people. In most of the colonies the popular outcry for free access to the land was not so effective. In Pennsylvania, after the government was restored to Penn, and in part of New Jersey conditions were most favorable to the settlers. In those colonies corrupt usurpations of the land were comparatively few, although the proprietary families continued to hold extensive tracts. Penn's sons by his second wife, for instance, became men of great wealth.[7] The pacific and conciliatory Quaker faith operated as a check on any local extraordinary misuse of power. Unfortunately for historical accuracy and penetration, there is an obscurity as to the intimate circumstances under which many of the large private estates in the South were obtained. The general facts as to their grants, of course, are well known, but the same specific, underlying details, such as may be disinterred from Bellomont's correspondence, are lacking. In New York, at least, and presumably during Fletcher's sway of government in Pennsylvania, great land grants went for bribes. This is definitely brought out in Bellomont's official communications.

VAST ESTATES SECURED BY BRIBERY

Fletcher, it would seem, had carried on a brisk traffic in creating by a stroke of the quill powerfully rich families by simply granting them domains in return for bribes.

Captain John R. N. Evans had been in command of the royal warship Richmond. An estate was his fervent ambition. Fletcher's mandate gave him a grant of land running forty miles one way, and thirty another, on the west bank of the Hudson. Beginning at the south line of the present town of New Paltz, Ulster County, it included the southern tier of the now existing towns in that picturesque county, two-thirds of the fertile undulations of Orange County and a part of the present town of Haverstraw. It is related of this area, that there was "but one house on it, or rather a hutt, where a poor man lives." Notwithstanding this lone, solitary subject, Evans saw great trading and seignorial possibilities in his tract. And what did he pay for this immense stretch of territory? A very modest bribe; common report had it that he gave Fletcher £100 for the grant.[8]

Nicholas Bayard, of whom it is told that he was a handy go-between in arranging with the sea pirates the price that they should pay for Fletcher's protection, was another favored personage. Bayard was the recipient of a grant forty miles long and thirty broad on both sides of Schoharie Creek. Col. William Smith's prize was a grant from Fletcher of an estate fifty miles in length on Nassau—now Long Island. According to Bellomont, Smith got this land "arbitrarily and by strong hand."

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[7] Pennsylvania: Colony and Commonwealth:66, 84, etc. Their claim to inherit proprietary rights was bought at the time of the Revolutionary War by the Commonwealth of Pennsylvania for £130,000 sterling or about $580,000.

[8] Colonial Documents, iv:463.

Smith was in collusion with Fletcher, and moreover, was chief justice of the province, "a place of great awe as well as authority." This judicial land wrester forced the town of Southampton to accept the insignificant sum of £10 for the greater part of forty miles of beach—a singularly profitable transaction for Smith, who cleared in one year £500, the proceeds of whales taken there, as he admitted to Bellomont.[9] Henry Beekman, the astute and smooth founder of a rich and powerful family, was made a magnate of the first importance by a grant from Fletcher of a tract sixteen miles in length in Dutchess County, and also of another estate running twenty miles along the Hudson and eight miles inland. This estate he valued at £5,000.[10] Likewise Peter Schuyler, Godfrey Dellius and their associates had conjointly secured by Fletcher's patent, a grant fifty miles long in the romantic Mohawk Valley—a grant which "the Mohawk Indians have often complained of." Upon this estate they placed a value of £25,000. This was a towering fortune for the period; in its actual command of labor, necessities, comforts and luxuries it ranked as a power of transcending importance.

These were some of the big estates created by "Colonel Fletcher's intolerable corrupt selling away the lands of this Province," as Bellomont termed it in his communication to the Lords of Trade of Nov. 28, 1700. Fletcher, it was set forth, profited richly by these corrupt grants. He got in bribes, it was charged, at least £4,000.[11] But Fletcher was not the only corrupt official. In his interesting work on the times,[12] George W. Schuyler presents what is an undoubtedly accurate description of how Robert Livingston, progenitor of a rich and potent family which for generations exercised a profound influence in politics and other public affairs, contrived to get together an estate which soon ranked as the second largest in New York State and as one of the greatest in the colonies.

Livingston was the younger son of a poor exiled clergyman. In currying favor with one official after another he was unscrupulous, dexterous and adaptable. He invariably changed his politics with the change of administration. In less than a year after his arrival he was appointed to an office which yielded him a good income. This office he held for nearly half a century, and simultaneously was the incumbent of other lucrative posts. Offices were created by Governor Dongan apparently for his sole benefit. His passion was to get together an estate which would equal the largest. Extremely penurious, he loaned money at frightfully usurious rates and hounded his victims without a vestige of sympathy.[13] As a trader and government contractor he made enormous profits; such was his cohesive collusion with high officials that competitors found it impossible to outdo him. A current saying of him was that he made a fortune by "pinching the bellies of the soldiers"—that is, as an army contractor who defrauded in quantity and quality of supplies. By a multitude of underhand and ignoble artifices he finally found himself the lord of a manor sixteen miles long and twenty-four broad. On this estate he built flour and saw mills, a bakery and a brewery. In his advanced old age he exhibited great piety but held on grimly to every shilling that he could and as long as he could. When he died about 1728—the exact date is unknown—at the age of 74 years, he left an estate which was considered of such colossal value that its true value was concealed for fear of further enraging the discontented people.

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[9] Ibid.:535.

[10] Ibid.:39.

[11] Colonial Documents, iv:528. One of Bellomont's chief complaints was that the landgraves monopolized the timber supply. He recommended the passage of a law vesting in the King the right to all trees such as were fit for masts of ships or for other use in building ships of war.

[12] "Colonial New York," 1:285-286.

[13] According to Reynolds's "Albany Chronicles," Livingston was in collusion with Captain Kidd, the sea pirate. Reynolds also tells that Livingston loaned money at ten per cent.

EFFECTS OF THE LAND SEIZURES

The seizure of these vast estates and the arbitrary exclusion of the many from the land produced a combustible situation. An instantaneous and distinct cleavage of class divisions was the result. Intrenched in their possessions the landed class looked down with haughty disdain upon the farming and laboring classes. On the other hand, the farm laborer with his sixteen hours work a day for a forty-cent wage, the carpenter straining for his fifty-two cents a day, the shoemaker drudging for his seventy-three cents a day and the blacksmith for his seventy cents,[14] thought over this injustice as they bent over their tasks. They could sweat through their lifetime at honest labor, producing something of value and yet be a constant prey to poverty while a few men, by means of bribes, had possessed themselves of estates worth tens of thousands of pounds and had preëmpted great stretches of the available lands.

In consulting extant historical works it is noticeable that they give but the merest shadowy glimpse of this intense bitterness of what were called the lower classes, and of the incessant struggle now raging, now smouldering, between the landed aristocracy and the common people. Contrary to the roseate descriptions often given of the independent position of the settlers at that time, it was a time when the use and misuse of law brought about sharp divisions of class lines which arose from artificially created inequalities, economically and politically. With the great landed estates came tenantry, wage slavery and chattel slavery, the one condition the natural generator of the others.

The rebellious tendency of the poor colonists against becoming tenants, and the usurpation of the land, were clearly brought out by Bellomont in a letter written on Nov. 28, 1700, to the Lords of Trade. He complained that "people are so cramped here for want of land that several families within my own knowledge and observation are remov'd to the new country (a name they give to Pennsylvania and the Jerseys) for, to use Mr. Graham's expression to me, and that often repeated, too, what man will be such a fool as to become a base tenant to Mr. Dellius, Colonel Schuyler, Mr. Livingston (and so he ran through the whole roll of our mighty landgraves) when for crossing Hudson's River that man can, for a song, purchase a good freehold in the Jerseys."

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[14] Wright's "Industrial Evolution in the United States"; see also his article "Wages" in Johnson's Encyclopædia. The New York Colonial Documents relate that in 1699 in the three provinces of Bellomont's jurisdiction, "the laboring man received three shillings a day, which was considered dear." iv:588.

If the immigrant happened to be able to muster a sufficient sum he could, indeed, become an independent agriculturist in New Jersey and in parts of Pennsylvania and provide himself with the tools of trade. But many immigrants landed with empty pockets and became laborers dependent upon the favor of the landed proprietors. As for the artisans—the carpenters, masons, tailors, blacksmiths—they either kept to the cities and towns where their trade principally lay, or bonded themselves to the lords of the manors.

ATTEMPT AT CONFISCATION THWARTED

Bellomont fully understood the serious evils which had been injected into the body politic and strongly applied himself to the task of confiscating the great estates. One of his first proposals was to urge upon the Lords of Trade the restriction of all governors throughout the colonies from granting more than a thousand acres to any man without leave from the king, and putting a quit rent of half a crown on every hundred acres, this sum to go to the royal treasury. This suggestion was not acted upon. He next attacked the assembly of New York and called upon it to annul the great grants. In doing this he found that the most powerful members of the assembly were themselves the great land owners and were putting obstacle after obstacle in his path. After great exertions he finally prevailed upon the assembly to vacate at least two of the grants, those to Evans and Bayard. The assembly did this probably as a sop to Bellomont and to public opinion, and because Evans and Bayard had lesser influence than the other landed functionaries. But the owners of the other estates tenaciously held them intact. The people regarded Bellomont as a sincere and ardent reformer, but the landed men and their following abused him as a meddler and destructionist. Despairing of getting a self-interested assembly to act, Bellomont appealed to the Lords of Trade:

"If your Lordships mean I shall go on to break the rest of the extravagant grants of land by Colonel Fletcher or other governors, by act of assembly, I shall stand in need of a peremptory order from the King so to do."[15]

A month later he insisted to his superiors at home that if they intended that the corrupt and extravagant grants should be confiscated—"(which I will be bold to say by all the rules of reason and justice ought to be done) I believe it must be done by act of Parliament in England, for I am a little jealous I shall not have strength enough in the assembly of New York to break them." The majority of this body, he pointed out, were landed men, and when their own interest was touched, they declined to act contrary to it. Unless, added Bellomont, "the power of our Palatines, Smith, Livingston, the Phillips, father and son—[16] and six or seven more were reduced. . . . the country is ruined." [17]

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[15] Colonial Documents, iv:533-554.

Despite some occasional breaches in its intrenchments, the landocracy continued to rule everywhere with a high hand, its power, as a whole, unbroken.

HOW THE LORDS OF THE SOIL LIVED

A glancing picture of one of these landed proprietors will show the manner in which they lived and what was then accounted their luxury. As one of the "foremost men of his day," in the colonies Colonel Smith lived in befitting style. This stern, bushy-browed man who robbed the community of a vast tract of land and who, as chief justice, was inflexibly severe in dealing punishment to petty criminals and ever vigilant in upholding the rights of property, was lord of the Manor of St. George, Suffolk County. The finest silks and lace covered his judicial person. His embroidered belts, costing £110, at once attested his great wealth and high station. He had the extraordinary number of one hundred and four silver buttons to adorn his clothing. When he walked, a heavy silver-headed cane supported him, and he rode on a fancy velvet saddle. His three swords were of the finest make; occasionally he affected a Turkish scimitar. Few watches in the colonies could compare with his massive silver watch. His table was embellished with heavy silver plate, valued at £150, on which his coat-of-arms was engraved. Twelve Negro slaves responded to his nod; he had a large corps of bounded apprentices and dependant laborers. His mansion looked down on twenty acres of wheat and twenty of corn; and as for his horses and cattle they were the envy of the country. In his last year thirty horses were his, fourteen oxen, sixty steers, forty-eight cows and two bulls.[18] He lived high, drank, swore, cheated—and administered justice.

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[16] Frederick and his son Adolphus. Frederick was the employer of the pirate, Captain Samuel Burgess of New York, who at first was sent out by Phillips to Madagascar to trade with the pirates and who then turned pirate himself. From the first voyage Phillips and Burgess cleared together £5,000, the proceeds of trade and slaves. The second voyage yielded £10,000 and three hundred slaves. Burgess married a relative of Phillips and continued piracy, but was caught and imprisoned in Newgate. Phillips spent great sums of money to save him and succeeded. Burgess resumed piracy and met death from poisoning in Africa, while engaged in carrying off slaves.—"The Lives and Bloody Exploits of the Most Noted Pirates":177-183. This work was a serious study of the different sea pirates.

[17] Colonial Docs., iv:533-534. On November 27, 1700, Bellomont wrote to the Lords of the Treasury: "I can supply the King and all his dominions with naval stores (except flax and hemp) from this province and New Hampshire, but then your Lordships and the rest of the Ministers must break through Coll. Fletcher's most corrupt grants of all the lands and woods of this province which I think is the most impudent villainy I ever heard or read of any man," iv:780.

One of the best and most intimate descriptions of a somewhat contemporaneous landed magnate in the South is that given of Robert Carter, a Virginia planter, by Philip Vickers Fithian,[19] a tutor in Carter's family. Carter came to his estate from his grandfather, whose land and other possessions were looked upon as so extensive that he was called "King" Carter.

Robert Carter luxuriated in Nomini Hall, a great colonial mansion in Westmoreland County. It was built between 1725 and 1732 of brick covered with strong mortar, which imparted a perfectly white exterior, and was seventy-six feet long and forty wide. The interior was one of unusual splendor for the time, such as only the very rich could afford. There were eight large rooms, one of which was a ball-room thirty feet long. Carter spent most of his leisure hours cultivating the study of law and of music; his library contained 1,500 volumes and he had a varied assortment of musical instruments. He was the owner of 60,000 acres of land spread over almost every county of Virginia, and he was the master of six hundred Negro slaves. The greater part of a prosperous iron-works near Baltimore was owned by him, and near his mansion he built a flour mill equipped to turn out 25,000 bushels of wheat a year. Carter was not only one of the big planters but one of the big capitalists of the age; all that he had to do was to exercise a general supervision; his overseers saw to the running of his various industries. Like the other large landholders he was one of the active governing class; as a member of the Provincial Council he had great influence in the making of laws. He was a thorough gentleman, we are told, and took good care of his slaves and of his white laborers who were grouped in workhouses and little cottages within range of his mansion. Within his domain he exercised a sort of benevolent despotism. He was one of the first few to see that chattel slavery could not compete in efficiency with white labor, and he reckoned that more money could be made from the white laborer, for whom no responsibility of shelter, clothing, food and attendance had to be assumed than from the Negro slave, whose sickness, disability or death entailed direct financial loss. Before his death he emancipated a number of his slaves. This, in brief, is the rather flattering depiction of one of the conspicuously rich planters of the South.

THE NASCENT TRADING CLASS

Land continued to be the chief source of the wealth of the rich until after the Revolution. The discriminative laws enacted by England had held down the progress of the trading class; these laws overthrown, the traders rose rapidly from a subordinate position to the supreme class in point of wealth.

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[18] This is the inventory given in "Abstracts of Wills," 1:323.

[19] "Journal and Letters," 1767-1774.

No close research into pre-Revolutionary currents and movements is necessary to understand that the Revolution was brought about by the dissatisfied trading class as the only means of securing absolute freedom of trade. Notwithstanding the view often presented that it was an altruistic movement for the freedom of man, it was essentially an economic struggle fathered by the trading class and by a part of the landed interests. Admixed was a sincere aim to establish free political conditions. This, however, was not an aim for the benefit of all classes, but merely one for the better interests of the propertied class. The poverty-stricken soldiers who fought for their cause found after the war that the machinery of government was devised to shut out manhood suffrage and keep the power intact in the hands of the rich. Had it not been for radicals such as Jefferson, Paine and others, it is doubtful whether such concessions as were made to the people would have been made. The long struggle in various States for manhood suffrage sufficiently attests the deliberate aim of the propertied interests to concentrate in their own hands, and in that of a following favorable to them, the voting power of the Government and of the States.

With the success of the Revolution, the trading class bounded to the first rank. Entail and primogeniture were abolished and the great estates gradually melted away. For more than a century and a half the landed interests had dominated the social and political arena. As an acknowledged, continuous organization they ceased to exist. Great estates no longer passed unimpaired from generation to generation, surviving as a distinct entity throughout all changes. They perforce were partitioned among all the children; and through the vicissitudes of subsequent years, passed bit by bit into many hands. Altered laws caused a gradual disintegration in the case of individual holdings, but brought no change in instances of corporate ownership. The Trinity Corporation of New York City, for example, has held on to the vast estate which it was given before the Revolution, except such parts as it voluntarily has sold.

DISINTEGRATION OF THE GREAT ESTATES

The individual magnate, however, had no choice. He could no longer entail his estates. Thus, estates which were very large before the Revolution, and which were regarded with astonishment, ceased to exist. The landed interests, however, remained paramount for several decades after the Revolution by reason of the acceleration which long possession and its profits had given them. Washington's fortune, amounting at his death, to $530,000, was one of the largest in the country and consisted mainly of land. He owned 9,744 acres, valued at $10 an acre, on the Ohio River in Virginia, 3,075 acres, worth $200,000, on the Great Kenawa, and also land elsewhere in Virginia and in Maryland, Pennsylvania, New York, Kentucky, the City of Washington and other places.[20]

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[20] Sparks' "Life of Washington," Appendix, ix:557-559.

About half a century later it was only by persistent gatherings of public contributions that his very home was saved to the nation, so had his estate become divided and run down. After a long career, Benjamin Franklin acquired what was considered a large fortune. But it did not come from manufacture or invention, which he did so much to encourage, but from land. His estate in 1788, two years before his death, was estimated to be worth $150,000, mostly in land.[21] By the opening decades of the nineteenth century few of the great estates in New York remained. One of the last of the patroons was Stephen Van Rensselaer, who died at the age of 75 on Jan. 26, 1839, leaving ten children. Up to this time the manor had devolved upon the eldest son. Although it had been diminished somewhat by various cessions, it was still of great extent. The property was divided among the ten children, and, according to Schuyler, "In less than fifty years after his death, the seven hundred thousand acres originally in the manor were in the hands of strangers." [22] And, it may be here mentioned, the Van Rensselaer fortune, by the twentieth century, descended to a vanishing point. At least, an estate of only $2,500 was left by William Stephen Van Rensselaer, one of several remaining members of that family, at his death in 1930.

Long before old Van Rensselaer passed away he had seen the rise and growth of the trading and manufacturing class and a new form of landed aristocracy, and he observed with a haughty bitterness how in point of wealth and power they far overshadowed the well-night defunct old feudal aristocracy. A few hundred thousand dollars no longer was the summit of a great fortune; the age of the millionaire had come. The lordly, leisurely environment of the old landed class had been supplanted by feverish trading and industrial activity which imposed upon society its own newer standards, doctrines and ideals, and made them uppermost factors.

[21] Bigelow's "Life of Franklin," iii:470.
[22] "Colonial New York," 1:232.

Chapter III

The Rise of the Trading Class

The creation of the great landed estates was accompanied by the slow development of the small trader and merchant. Necessarily, they first established themselves in the sea ports where business was concentrated.

Many obstacles long held them down to a narrow sphere. The great chartered companies monopolized the profitable resources. The land magnates exacted tribute for the slightest privilege granted. Drastic laws forbade competition with the companies, and the power of law and the severities of class government were severely felt by the merchants. The chartered corporations and the land dignitaries were often one group with an identity of men and interests. Against their strength and capital the petty trader or merchant could not prevail. Daring and enterprising though he be, he was forced to a certain compressed routine of business. He could sell the goods which the companies sold to him but could not undertake to set up manufacturing. And after the companies had passed away, the landed aristocracy used its power to suppress all undue initiative on his part.

THE MANORIAL LORDS MONOPOLIZE TRADE

This was especially so in New York, where all power was concentrated in the hands of a few landowners. "To say," says Sabine, "that the political institutions of New York formed a feudal aristocracy is to define them with tolerable accuracy. The soil was owned by a few. The masses were mere retainers or tenants as in the monarchies of Europe." [1] The feudal lord was also the dominant manufacturer and trader. He forced his tenants to sign covenants that they should trade in nothing else than the produce of the manor; that they should trade nowhere else but at his store; that they should grind their flour at his mill, and buy bread at his bakery, lumber at his sawmills and liquor at his brewery. Thus he was not only able to squeeze the last penny from them by exorbitant prices, but it was in his power to keep them everlastingly in debt to him. He claimed, and held, a monopoly in his domain of whatever trade he could seize. These feudal tenures were established in law; woe to the tenant who presumed to infract them! He became a criminal and was punished as a felon. The petty merchant could not, and dared not, compete with the trading monopolies of the manorial lords within these feudal jurisdictions. In such a system the merchant's place for a century and a half was a minor one, although far above that of the drudging laborer. Merchants resorted to sharp and frequently dubious ways of getting money together. They bargained and sold shrewdly, kept their wits ever open, turned sycophant to the aristocracy and a fleecer of the laborer.

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[1] "Lives of the Loyalists," :18.

It would appear that in New York, at least, the practice of the most audacious usury was an early and favorite means of acquiring the property of others. These others were invariably the mechanic or laborer; the merchant dared not attempt to overreach the aristocrat whose power he had good reason to fear. Money which was taken in by selling rum and by wheedling the unsophisticated Indians into yielding up valuable furs, was loaned at frightfully onerous rates. The loans unpaid, the lender swooped mercilessly upon the property of the unfortunate and gathered it in.

The richest merchant of his period in the province of New York was Cornelius Steenwyck, a liquor merchant, who died in 1686. He left a total estate of £4,382 and a long list of book debts which disclosed that almost every man in New York City owed money to him, partly for rum, in part for loans.[2] The same was true of Peter Jacob Marius, a rich merchant who died in 1706, leaving behind a host of debtors, "which included about all the male population on Manhattan Island."[3] This eminent counter-man was "buried like a gentleman." At his funeral large sums were spent for wine, cookies, pipes and tobacco, beer, spice for burnt wine and sugar—all according to approved and reverent Dutch fashion. The actual currency left by some of these rich men was a curious conglomeration of almost every stamp, showing the results of a mixed assemblage of customers. There were Spanish pistoles, guineas, Arabian coin, bank dollars, Dutch and French money—a motley assortment all carefully heaped together. Without doubt, those enterprising pirate captains, Kidd and Burgess, and their crews, were good customers of these accommodating and undiscriminating merchants. It was a time when money was triply valued, for little of it passed in circulation. To a people who traded largely by barter and whose media of exchange, for a long time, were wampum, peltries and other articles, the touch and clink of gold and silver were extremely precious and fascinating. Buccanneers Kidd and Burgess deserved the credit for introducing into New York much of the variegated gold and silver coin, and it was believed that they long had some of the leading merchants as their allies in disposing of their plundered goods, in giving them information and affording them protection.

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[2] "Abstracts of Wills," ii:444-445.

[3] Ibid., 1:323-324.

THE TRADERS' METHODS

By one means or another, some of the New York merchants of the period attained a standing in point of wealth equal to not a few of the land magnates. William Lawrence of Flushing, Long Island, was "a man of great wealth and social standing." Like the rest of his class he affected to despise the merchant class. After his death, an inventory showed his estate to be worth £4,032, mostly in land and in slaves, of which he left ten.[4] While the landed men often spent much of their time carousing, hunting, gambling, and dispersing their money, the merchants were hawk-eyed alert for every opportunity to gather in money. They wasted no time in frivolous pursuits, had no use for sentiment or scruples, saved money in infinitesimal ways and thought and dreamed of nothing but business.

Throughout the colonies, not excepting Pennsylvania, it was the general practice of the merchants and traders to take advantage of the Indians by cunning and treacherous methods. The agents of the chartered companies and the land owners first started the trick of getting the Indians drunk, and then obtaining, for almost nothing, the furs that they had gathered—for a couple of bottles of rum, a blanket or an axe. After the charters of the companies were annulled or expired, the landgraves kept up the practice, and the merchants improved on it in various ingenious ways. "The Indians," says Felt,[5] "were ever ready to give up their furs for knives, hatchets, beads, blankets, and especially were anxious to obtain tobacco, guns, powder, shot and strong water; the latter being a powerful instrument enabling the cunning trader to perpetuate the grossest frauds. Immense quantities of furs were shipped to Europe at a great profit."

This description appropriately applied also to New York, New Jersey, and the South. In New York there were severe laws against Indians who got drunk, and in Massachusetts colony an Indian found drunk was subject to a fine of ten shillings or whipping, at the discretion of the magistrate. As to the whites who, for purposes of gain, got the Indians drunk, the law was strangely inactive. Everyone knew that drink might incite the Indians to uprisings and imperil the lives of men, women and children. But the considerations of trade were stronger than even the instinct of self-preservation and the practice went on, not infrequently resulting in the butchery of innocent white victims and in great cost and suspense to the whole community.

Strict laws which pronounced penalties for profaneness and for not attending church, connived at the systematic defrauding and swindling of the Indians of land and furs. Two strong considerations were held to justify this. The first was that the Indians were heathen and must give way to civilization; that they were fair prey. The demands of trade, upon which the colonies flourished, was the second. The fact was that the code of the trading class was everywhere gradually becoming the dominant one, even breaking down the austere, almost ascetic, Puritan moral professions. Among the common people—those who were ordinary wage laborers—the methods of the rich were looked upon with suspicion and enmity, and there was a prevalent consciousness that wealth was being amassed by one-sided laws and fraud. Some of the noted sea pirates of the age made this their strong justification for preying upon commerce.[6]

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[4] "Abstracts of Wills," 1:108.

[5] "An Historical Account of Massachusetts Currency." See also Colonial Documents, iii:242, and the Records of New Amsterdam. See the chapters on the Astor fortune in Part II for full details of the methods in debauching and swindling the Indians in trading operations.

In Virginia the life of the community depended upon agriculture; therefore slavery was thought to be its labor prop and was joyfully welcomed and earnestly defended. In Massachusetts and New York trading was an elemental factor, and whatever swelled the volume and profits was accounted a blessing to the community and was held justified. Laws, the judges who enforced them, and the spirit of the age reflected not so much the morality of the people as their trading necessities. The one was often mistaken for the other.

THE BONDING OF LABORERS

This condition was shown repeatedly in the trade conflicts of the competing merchants, their system of bonded laborers and in the long contests between the traders of the colonies and those of England, culminating in the Revolution. In the churches the colonists prayed to God as the Father of all men and showed great humility. But in actual practice the propertied men recognized no such thing as equality and dispensed with humility. The merchants imitated in a small way the seignorial pretensions of the land nabobs. Few merchants there were who did not deal in negro slaves, and few also were there who did not have a bonded laborer or two, whose labor they monopolized and whose career was their property for a long term of years. Limited bondage, called apprenticeship, was general.

Penniless boys, girls and adults were impressed by sheer necessity into service. Nicholas Auger, 10 years old, binds himself, in 1694, to Wessell Evertson, a cooper, for a term of nine years, and swears that "he will truly serve the commandments of his master Lawfull, shall do no hurt to his master, nor waste nor purloin his goods, nor lend them to anybody at Dice, or other unlawful game, shall not contract matrimony, nor frequent taverns, shall not absent himself from his master's service day or night." In return Evertson will teach Nicholas the trade of a cooper, give him "apparell, meat, drink and bedding" and at the expiration of the term will supply him with "two good suits of wearing apparell from head to foot." Cornelius Hendricks, a laborer, binds himself in 1695 as an apprentice and servant to John Molet for five years. Hendricks is to get £3 current silver money and two suits of apparel—one for holy days, the other for working days, and also board is to be provided. Elizabeth Morris, a spinster, in consideration of her transportation from England to New York on the barkentine, "Antegun," binds herself in 1696 as a servant to Captain William Kidd for four years for board. When her term is over she is to get two dresses. There are a few specific instances of the bonding system—a system which served its purpose in being highly advantageous to the merchants and traders.

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[6] Thus Captain Bellamy's speech in 1717 to Captain Baer of Boston, whose sloop he had just sunk and rifled: "I am sorry that they [his crew] won't let you have your sloop again, for I scorn to do any one a mischief when it is not for my advantage; damn the sloop, we must sink her, and she might be of use to you. Though you are a sneaking puppy, and so are all those who will submit to be governed by laws which rich men have made for their own security—for the cowardly whelps have not the courage otherwise to defend what they get by their knavery. But damn ye altogether; damn them for a pack of crafty rascals, and ye who serve them, for a parcel of henhearted numbskulls. They villify us, the scoundrels do, when there is only this difference: they rob the poor under cover of law, forsooth, and we plunder the rich under protection of our own courage. Had you better not make one of us than sneak after these villains for employment." Baer refused and was put ashore.—"The Lives and Bloody Exploits of the Most Noted Pirates":129-130.

THE FISHERIES OF NEW ENGLAND

Toward the close of the seventeenth century the merchants of Boston were the richest in the colonies. Trade there was briskest. By 1687, according to the records of the Massachusetts Historical Society, there were ten to fifteen merchants in Boston whose aggregate property amounted to £50,000, or about £5,000 each, and five hundred persons who were worth £3,000 each. Some of these fortunes came from furs timber and vending merchandise.

But the great stimuli were the fisheries of the New England coast. Bellomont in 1700 ascribed the superior trade of Massachusetts to the fact that Fletcher had corruptly sold the best lands in New York province and had thus brought on bad conditions. Had it not been for this, he wrote, New York "would outthrive the Massachusetts Province and quickly outdoe them in people and trade." While the people of the South took to agriculture as a main support, and the merchants of New York were contented with the more comfortable method of taking in coin over counters, a large proportion of the 12,000 inhabitants of Boston and those of Salem and Plymouth braved dangers to drag the sea of its spoil. They developed hardy traits of character, a bold adventurousness and a singular independence of movement, which in time engendered a bustling race of traders who navigated the world for trade.

It was from shipping that the noted fortunes of the early decades of the eighteenth century came. The origin of the means by which these fortunes were got together lay greatly in the fisheries. The emblem of the codfish in the Massachusetts State House is a survival of the days when the fisheries were the great and most prolific sources of wealth and the chief incentive of all kinds of trade. A tremendous energy was shown in the hazards of the business. So thoroughly were the fisheries recognized as important to the life of the whole New England community that vessels were often built by public subscription, as was instanced in Plymouth, where public subscription on one occasion defrayed the expense.[7]

In response to the general incessant demand for ships, the business of shipbuilding soon sprang up; presently there were nearly thirty ship yards in Boston alone and sixty ships a year were built. It was a lucrative industry. The price of a vessel was dear, while the wages of the carpenters, smiths, caulkers and sparmakers were low. Not a few of the merchants and traders of their sons who made their money by debauching and cheating the Indians went into this highly profitable business and became men of greater wealth. By 1700, Boston was shipping 50,000 quintals of dried codfish every year. The fish were divided into several kinds. The choice quality went to the Catholic countries, where there was a great demand for it, principally to Bilboa, Lisbon and Oporto. The refuse was shipped to the West India Islands for sale to the Negro slaves and laborers. The price varied. In 1699 it was eighteen shillings a quintal; the next year, we read, it had fallen to twelve shillings because the French fisheries had glutted the market abroad.[8]

"FORCE AS GOOD AS FORCE"

Along with the fisheries considerable wealth was extracted in New England, as elsewhere in the colonies, from the shipment of timber. Sharp traders easily got the advantage of Indians and landowners in buying the privilege of cutting timber. In some cases, particularly in New Hampshire, which Allen claimed to own, the timber was simply taken without leave. The word was passed that force was as good as force, fraud as good as fraud. Allen had got the province by force and fraud; let him stop the timber cutters if he dare. Ship timber was eagerly sought in European ports. One Boston merchant is recorded as having taken a cargo of this timber to Lisbon and clearing a profit of £1,600 on an expenditure of £300. "Everybody's excited," wrote Bellomont on June 22, 1700, to the Lords Commissioners for Trades and Plantations. "Some of the merchants of Salem are now loading a ship with 12,000 feet of the noblest ships timber that was ever seen." [9]

The whale fishery sprang up about this time and brought in great profits. The original method was to sight the whale from a lookout on shore, push out in a boat, capture him and return to the shore with the carcass. The oil was extracted from the blubber and readily sold. As whales became scarce around the New England islands the whalers pushed off into the ocean in small vessels. Within fifty years, at least sixty craft were engaged in the venture. By degrees larger and larger vessels were built until they began to double Cape Horn, and were sometimes absent from a year and a half to three years. The labors of the cruise were often richly rewarded with a thousand barrels of sperm oil and two hundred and fifty barrels of whale oil.

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[7] "A Commercial Sketch of Boston," Hunt's Merchant's Magazine, 1839, 1:125.

[8] Colonial Documents, iv.790.

[9] Ibid., 678.

BRITISH TRADERS' TACTICS

By the middle of the seventeenth century the colonial merchants were in a position to establish manufactures to compete with the British. A seafaring race and a mercantile fleet had come into a militant existence, and ambitious designs were meditated of conquering a part of the import and export trade held by the British. The colonial shipowner, sending tobacco, corn, timber or fish to Europe did not see why he should not load his ship with commodities on the return trip and make a double profit. It was now that the British trading class peremptorily stepped in and used the power of government to suppress in its infancy a competition that alarmed them.

Heavy export duties were now declared on every colonial article which would interfere with the monopoly which the British trading class held. and aimed to hold, while the most exacting duties were put on non-British imports. Colonial factories were killed off by summary legislation. In 1699, Parliament enacted that no wool yarn or woolen manufactures of the American colonies should be exported to any place whatever. This was a destructive bit of legislation, as nearly every colonial rural family kept sheep and raised flax and were getting expert at the making of coarse linen and woolen cloths. No sooner had the colonists begun to make paper than that industry was likewise choked. With hats it was the same. The colonists had scarcely begun to export hats to Spain, Portugal and the West Indies before the British Company of Hatters called upon the Government to put a stop to this colonial interference with their trade. An act was thereupon passed by Parliament forbidding the exportation of hats from any American colony, and the selling in one colony of hats made in another. Colonial iron mills began to blast; they were promptly declared a nuisance, and Parliament ordered that no mill or engine for slitting or rolling iron be used, but graciously allowed pig and bar iron to be imported from England into the colonies. Distilleries were common; molasses was extensively used in the making of rum and also by the fishermen; a heavy duty was put upon molasses and sugar as also on tea, nails, glass and paints. Smuggling became general; a narrative of the adroit devices resorted to would make an interesting tale.

These restrictive acts brought about various momentous results. They not only arrayed the whole trading class against Great Britain, and in turn the great body of the colonists, but they operated to keep down in size and latitude the private fortunes by limiting the ways in which the wealth of individuals could be employed. Much money was withdrawn from active business and invested in land and mortgages. Still, despite the crushing laws with which colonial capitalists had to contend, the fisheries were an incessant source of profit. By 1765 they employed 4,000 seamen and had 28,000 tons of shipping and did a business estimated at somewhat more than a million dollars.

Chapter IV

THE SHIPPING FORTUNES

THUS it was that at the time of the Revolution many of the consequential fortunes were those of shipowners and were principally concentrated in New England. Some of these dealt in merchandise only, while others made large sums of money by exporting fish, tobacco, corn, rice and timber and lading their ships on the return with Negro slaves, for which they found a responsive market in the South. Many of the members of the Continental Congress were ship merchants, or inherited their fortunes from rich shippers, as, for instance, Samuel Adams, Robert Morris, Henry Laurens of Charleston, S. C., John Hancock, whose fortune of $350,000 came from his uncle Thomas Francis Lewis of New York and Joseph Hewes of North Carolina. Others were members of various Constitutional conventions or became high officials in the Federal or State governments. The Revolution disrupted and almost destroyed colonial shipping, and trade remained stagnant.

FORTUNES FROM PRIVATEERING

Not wholly so, for the hazardous venture of privateering offered great returns. George Cabot of Boston was the son of an opulent shipowner. During the Revolution, George, with his brother, swept the coast with twenty privateers carrying from sixteen to twenty guns each. For four or five years their booty was rich and heavy, but toward the end of the war, British gun-boats swooped on most of their craft and the brothers lost heavily. George subsequently became a United States Senator. Israel Thorndike, who began life as a cooper's apprentice and died in 1832 at the age of 75, leaving a fortune, "the greatest that has ever been left in New England,"[1] made large sums of money as part owner and commander of a privateer which made many successful cruises. With this money he went into fisheries, foreign commerce and real estate, and later into manufacturing establishments. One of the towering rich men of the day, we are told that "his investments in real estate, shipping or factories were wonderfully judicious and hundreds watched his movements, believing his pathway was safe." The fortune he bequeathed was ranked as immense. To each of his three sons he left about $500,000 each, and other sums to another son, and to his widow and daughters. In all, the legacies to the surviving members of his family amounted to about $1,800,000.[2]

[1] "Hunt's Merchant's Magazine," 11:516-517.

[2] Allen's "Biographical Dictionary," Edition of 1857:791.

Another "distinguished merchant," as he was styled, to take up privateering was Nathaniel Tracy, the son of a Newburyport merchant. College bred, as were most of the sons of rich merchants, he started out at the age of 25 with a number of privateers, and for many years returned flushed with prizes. To quote his appreciative biographer: "He lived in a most magnificent style, having several country seats or large farms with elegant summer houses and fine fish ponds, and all those matters of convenience or taste that a British nobleman might think necessary to his rank and happiness. His horses were of the choicest kind and his coaches of the most splendid make." But alas! this gorgeous career was abruptly dispelled when unfeeling British frigates and gunboats hooked in his saucy privateers and Tracy stood quite ruined.

Much more fortunate was Joseph Peabody. As a young man Peabody enlisted as an officer on Derby's privateer "Bunker Hill." His second cruise was on Cabot's privateer "Pilgrim" which captured a richly cargoed British merchantman. Returning to shore he sought an education, later resuming the privateer deck. Some of his exploits, as narrated by George Atkinson Ward in "Hunt's Lives of American Merchants," published in 1856, were thrilling enough to have found a deserved place in a gory novel. With the money made as his share of the various prizes, he bought a vessel which he commanded himself, and he personally made sundry voyages to Europe and the West Indies. By 1791 he had amassed a large fortune. There was no further need of his going to sea; he was now a great merchant and could pay others to take charge of his ships. These increased to such an extent that he built in Salem and owned eighty-three ships which he freighted and dispatched to every known part of the world. Seven thousand seamen were in his employ. His vessels were known in Calcutta, Canton, Sumatra, St. Petersburg and dozens of other ports. They came back with cargoes which were distributed by coasting vessels among the various American ports. It was with wonderment that his contemporaries spoke of his paying an aggregate of about $200,000 in State, county and city taxes in Salem, where he lived.[3] He died on Jan. 5, 1844, aged 84 years.

Asa Clapp, who at his death in 1848, at the age of 85 years, was credited with being the richest man in Maine,[4] began his career during the Revolution as an officer on a privateer. After the war he commanded various trading vessels, and in 1796 established a shipping business of his own, with headquarters at Portland. His vessels traded with Europe, the East and West Indies and South America. In his later years he went into banking. Of the size of his fortune we are left in ignorance.

A GLANCE AT OTHER SHIPPING FORTUNES

These are instances of rich men whose original capital came from privateering, which was recognized as a legitimate method of reprisal. As to the inception of the fortunes of other prominent capitalists of the period, few details are extant in the cases of most of them. Of the antecedents and life of Thomas Russell, a Boston shipper, who died in 1796, "supposedly leaving the largest amount of property which up to that time had been accumulated in New England," little is known. The extent of his fortune cannot be learned. Russell was one of the first, after the Revolution, to engage in trade with Russia, and drove many a hard bargain. He built a stately mansion in Charleston and daily traveled to Boston in a coach drawn by four black horses. In business he was inflexible; trade considerations aside, he was an alms-giver. Of Cyrus Butler, another shipowner and trader, who, according to one authority, was probably the richest man in New England[5] and who, according to the statement of another publication[6]—left a fortune estimated at from three to four millions of dollars, few details likewise are known. He was the son of Samuel Butler, a shoemaker who removed from Edgartown, Mass. to Providence about 1750 and became a merchant and shipowner. Cyrus followed in his steps. When this millionaire died at the age of 82 in 1849, the size of his fortune excited wonderment throughout New England. It may be here noted as a fact worthy of comment that of the group of hale rich shipowners there were few who did not live to be octogenarians.

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[3] Hunt's "Lives of American Merchants":382.

[4] Allen's "Biographical Dictionary," Edit. of 1857:227.

The rapidity with which large fortunes were made was not a riddle. Labor was cheap and unorganized, and the profits of trade were enormous. According to Weeden, the customary profits at the close of the eighteenth century on muslins and calicoes were one hundred per cent. Cargoes of coffee sometimes yielded three or four times that amount. Weeden instances one shipment of plain glass tumblers costing less than $1,000 which sold for $12,000 in the Isle of France.[7]

The prospects of a dazzling fortune, speedily reaped, instigated owners of capital to take the most perilous chances. Decayed ships, superficially patched up, were often sent out on the chance that luck and skill would get them through the voyage and yield fortunes. Crew after crew was sacrificed to this frenzied rush for money, but nothing was thought of it. Again, there were examples of almost incredible temerity. In his biography of Peter Charndon Brooks, one of the principal merchants of the day, and his father-in-law, Edward Everett tells of a ship sailing from Calcutta to Boston with a youth of nineteen in command. Why or how this boy was placed in charge is not explained. This juvenile captain had nothing in the way of a chart on board except a small map of the world in Guthrie's Geography. He made the trip successfully. Later, when he became a rich Boston banker, the tale of this feat was one of the proud annals of his life and, if true, deservedly so.[8]

Whitney's notable invention of the cotton gin in 1793 had given a stupendous impetus to cotton growing in the Southern States. As the shipowners were chiefly centered in New England the export of this staple vastly increased their trade and fortunes. It might be thought, parenthetically, that Whitney himself should have made a surpassing fortune from an invention which brought millions of dollars to planters and traders. But his inventive ability and perseverance, at least in his creation of the cotton gin, brought him little more than a multitude of infringements upon his patent, refusals to pay him, and vexatious and expensive litigation to sustain his rights.[9] In despair, he turned, in 1808, to the manufacture in New Haven of fire-arms for the Government, and from this business managed to get a fortune. From the Canton and Calcutta trade Thomas Handasyd Perkins, a Boston shipper extracted a fortune of $2,000,000. His ships made thirty voyages around the world. This merchant peer lived to the venerable age of 90; when he passed away in 1854, his fortune, although intact, had shrunken to modest proportions compared with a few others which had sprung up. James Lloyd, a partner of Perkins', likewise profited; in 1808 he was elected a United States Senator and later reëlected.

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[5] Stryker's "American Register" for 1849:241.

[6] "The American Almanac" for 1850:324.

[7] "An Economic and Social History of New England," 11:825.

[8] Hunt's "Lives of American Merchants":139.

William Gray, described as "one of the most successful of American merchants," and as one who was considered and taxed in Salem "as one of the wealthiest men in the place, where there were several of the largest fortunes that could be found in the United States," owned, in his heyday, more than sixty sailing vessels. Some scant details are obtainable as to the career and personality of this moneyed colossus of his day. He began as an apprenticed mechanic. For more than fifty years he rose at dawn and was shaved and dressed. His letters and papers were then spread before him and the day's business was begun. At his death in 1825 no inventory of his estate was taken.

The present millions of the Brown fortune of Rhode Island came largely from the trading activities of Nicholas Brown and the accretions of which increased population and values have brought. Nicholas Brown was born in Providence in 1760, of a well-to-do father. He went to Rhode Island College (later named in his honor by reason of his gifts) and greatly increased his fortune in the shipping trade.

It is quite needless, however, to give further instances in support of the statement that nearly all the large active fortunes of the latter part of the eighteenth and the early period of the nineteenth century came from the shipping trade and were mainly concentrated in New England. The proceeds of these fortunes frequently were put into factories, canals, turnpikes and later into railroads, telegraph lines and express companies. Seldom, however, has the money thus employed really gone to the descendants of the men who amassed it, but has since passed over to men who, by superior cunning, have contrived to get the wealth into their own hands. This statement is an anticipation of facts that will be more cognate in subsequent chapters, but may be appropriately referred to here. There were some exceptions to the general condition of the large fortunes from shipping being compactly held in New England. Thomas Pym Cope, a Philadelphia Quaker, did a brisk shipping trade, and founded the first regular line of packets between Philadelphia and Baltimore; with the money thus made he went into canal and railroad enterprises. And in New York and other ports there were a number of shippers who made fortunes of several millions each.

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[9] Life of Eli Whitney, "Our Great Benefactors":567.

THE WORKERS' MEAGER SHARE

Obviously these millionaires created nothing except the enterprise of distributing products made by the toil and skill of millions of workers the world over. But while the workers made these products their sole share was meager wages, barely sufficient to sustain the ordinary demands of life. Moreover, the workers of one country were compelled to pay exorbitant prices for the goods turned out by the workers of other countries. The shippers who stood as middlemen between the workers of the different countries reaped the great rewards. Nevertheless, it should not be overlooked that the shippers played their distinct and useful part in their time and age, the spirit of which was ultra-competitive and individualistic in the most sordid sense.

Chapter V

THE SHIPPERS AND THEIR TIMES

UNFORTUNATELY only the most general and eulogistic accounts of the careers of most of the rich shippers have appeared in such biographies as have been published.

Scarcely any details are preserved of the underlying methods and circumstances by which these fortunes were amassed. Eighty years ago, when it was the unqualified fashion to extol the men of wealth as great public benefactors and truckle to them, and when sociological inquiry was in an undeveloped stage, there might have been some excuse for this. But it is extremely unsatisfactory to find pretentious writers glossing over essential facts or not taking the trouble to get them. A "popular writer" of the last generation who pretended to deal with the origin of one of the great fortunes, the Astor fortune, and gave facts, although conventionally interpreted, as to one or two of Astor's land transactions,[1] passed over with a sentence the fundamental facts as to Astor's shipping activities, and entirely ignored the peculiar special privileges, worth millions of dollars, that Astor, in conjunction with other merchants, had as a free gift from the Government. This omission is characteristic, inasmuch as it leaves the reader in complete ignorance of the kind of methods Astor used in heaping up millions from the shipping trade—millions that enabled him to embark in the buying of land in a large and ambitious way. Certainly there is no lack of data regarding the two foremost millionaires of the first decades of the nineteenth century—Stephen Girard and John Jacob Astor. The very names of nearly all of the other powerful merchants of the age have receded into the densest obscurity. But both those of Girard and Astor live vividly, the first by virtue of a memorable benefaction, the second as the founder of one of the greatest fortunes in the world.

COMMERCE SURCHARGED WITH FRAUD

Because of their unexcelled success, these two were the targets for the bitter invective or the envy of their competitors on the one hand, and, on the other, of the laudation of their friends and beneficiaries. Harsh statements were made as to the methods of both, but, in reality, if we but knew the truth, they were no worse than the other millionaires of the time except in degree. The whole trading system was founded upon a combination of superior executive ability and superior cunning—not ability in creating, but in being able to get hold of, and distribute, the products of others' creation.

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[1] "The Astor Fortune," McClure's Magazine, April, 1905.

Fraudulent substitution was an active factor in many, if not all, of the shipping fortunes. The shippers and merchants practiced the grossest frauds upon the unsophisticated people. Walter Barrett, that pseudonymic merchant, who took part in them himself, and who writes glibly of them as fine tricks of trade, gives many instances in his volumes dealing with the merchants of that time.

The firm of F. & G. Carnes, he relates, was one of the many which made a large fortune in the China trade. This firm found that Chinese yellow-dog wood, when cut into proper sizes, bore a strong superficial resemblance to real Turkey rhubarb. The Carnes brothers proceeded to have the wood packed in China in boxes counterfeiting those of the Turkey product. They then made a regular traffic importing this spurious and deleterious stuff and selling it as the genuine Turkey article at several times the cost. It entirely superseded the real product. This firm also sent to China samples of Italian, French and English silks; the Chinese imitated them closely, and the bogus wares were imported into the United States where they were sold as the genuine European goods. The Carneses were but a type of their class. Writing of the trade carried on by the shipping class, Barrett says that the shippers sent to China samples of the most noted Paris and London products in sauces, condiments, preserves, sweetmeats, syrups and other goods. The Chinese imitated them even to fac-similies of printed Paris and London labels. The fraudulent substitutions were then brought in cargoes to the United States where they were sold at fancy prices.

MERCHANTS THE PILLARS OF SOCIETY

This was the prevalent commercial system. The most infamous frauds were carried on; and so dominant were the traders' standards that these frauds passed as legitimate business methods. The very men who profited by them were the mainstays of churches, and not only that, but they were the very same men who formed the various self-constituted committees which demanded severe laws against paupers and petty criminals. A study of the names of the men, for instance, who comprised the New York Society for the Prevention of Pauperism, 1818-1823, shows that nearly all of them were shippers or merchants who participated in the current commercial frauds. Yet this was the class that sat in judgment upon the poverty of the people and the acts of poor criminals and which dictated laws to legislatures and to Congress.

Girard and Astor were the superfine products of this system; they did in a greater way what others did in a lesser way. As a consequence, their careers were fairly well illumined. The envious attacks of their competitors ascribed their success to hard-hearted and ignoble qualities, while their admirers heaped upon them tributes of praise for their extraordinary genius. Both sets exaggerated. Their success in garnering millions was merely an abnormal manifestation of an ambition prevalent among the trading class. Their methods were an adroit refinement of methods which were common. The game was one in which, while fortunes were being amassed, masses of people were thrown into the direst poverty and their lives were attended by injustice and suffering. In this game a large company of eminent merchants played; Girard and Astor were peers in the playing and got away with the greater share of the stakes.

POST-REVOLUTIONARY CONDITIONS

Before describing Girard's career, it is well to cast a retrospective fleeting glance into conditions following the Revolution.

Despite the lofty sentiments of the Declaration of Independence—sentiments which were submerged by the propertied class when the cause was won—the gravity of law bore wholly in favor of the propertied interests. The propertyless had no place or recognition. The common man was good enough to shoulder a musket in the stress of war, but that he should have rights after the war, was deemed absurd. In the whole scheme of government neither the feeling nor the interests of the worker were thought of.

The Revolution brought no immediate betterment to his conditions; such slight amelioration as came later was the result of years of agitation. No sooner was the Revolution over than in stepped the propertied interests and assumed control of government functions. They were intelligent enough to know the value of class government—a lesson learned from the tactics of the British trading class. They knew the tremendous impact of law and how, directly and indirectly, it worked great transformations in the body social. While the worker was unorganized, unconscious of what his interests demanded, deluded by slogans and rallying-cries which really meant nothing to him, the propertied class was alert in its own interests.

PROPERTY'S RULE INTRENCHED

It proceeded to intrench itself in political as well as in financial power. The Constitution of the United States was so drafted as to take as much direct power from the people as the landed and trading interests dared. Most of the State Constitutions were more pronounced in rigid property discriminations. In Massachusetts, no man could be governor unless he were a Christian worth a clear £1,000; in North Carolina if he failed of owning the required £1,000 in freehold estate; nor in Georgia if he did not own five hundred acres of land and £4,000, nor in New Hampshire if he lacked owning £500 in property. In South Carolina he had to own £1,500 in property clear of all debts. In New York by the Constitution of 1777, only actual residents having freeholds to the value of £100 free of all debts, could vote for governor and other State officials. The laws were so arranged as effectually to disfranchise those who had no property. In his "Reminiscenses" Dr. John W. Francis tells of the prevalence for years in New York of a supercilious class which habitually sneered at the demand for political equality of the leather-breeched mechanic with his few shillings a day.

Theoretically, religious standards were the prevailing ones; in actuality the ethics and methods of the propertied class were all-powerful. The Church might preach equality, humility and the list of virtues; but nevertheless that did not give the propertyless man a vote. Thus it was, that in communities professing the strongest religious convictions and embodying them in Constitutions and in laws and customs, glaring inconsistencies ran side by side. The explanation lay in the fact that as regarded essential things of property, the standards of the trading class had supplanted the religious. Even the very admonition given by pastors to the poor, "Be content with your lot," was a preachment entirely in harmony with the aims of the trading class which, in order to make money, necessarily had to have a multitude of workers to work for it and from whose labor the money, in its finality, had to come. In the very same breath that they advised the poverty-stricken to reverence their superiors and to expect their reward in heaven, the ministers glorified the aggrandizing merchants as God's chosen men who were called upon to do His work.[2]

Since the laws favored the propertied interests, it was correspondingly easy for them to get direct control of government functions and personally exercise them. In New England rich shipowners rose at once to powerful elective and appointive officers. Likewise in New York rich landowners, and in the South, plantation men were selected for high offices. Law-making bodies, from Congress down, were filled with merchants, landowners, plantation men and lawyers, which last class was trained, as a rule, by association and self-interest, to take the views of the propertied class and vote with, and for, it. A puissant politico-commercial aristocracy developed which, at all times, was perfectly conscious of its best interests. The worker was regaled with flattering commendations of the dignity of labor and sonorous generalizations and promises, but the ruling class took care of the laws.

By means of these partial laws, the propertied interests early began to get tremendously valuable special privileges. Banking rights, canal construction, trade privileges, government favors, public franchises, all came in succession.

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[2] Innumerable were the sermons and addresses poured forth, all to the same end. To cite one: The Rev. Daniel Sharp of the Third Baptist Meeting House, Boston, delivered a sermon in 1828 on "The Tendency of Evil Speaking Against Rulers." It was considered so powerful an argument in favor of obedience that it was printed in pamphlet form (Beals, Homer & Co., Printers), and was widely distributed to press and public.

THE RIGORS OF LAW ON THE POOR

At the same time that laws were enacted or were twisted to suit the will of property, other laws were long in force oppressing the poor to a terrifying degree.

Poor debtors could be thrown in jail indefinitely, no matter how small a sum they owed. In law, the laborer was accorded few rights. It was easy to defraud him of his meager wages, since he had no lien upon the products of his labor. His labor power was all that he had to sell, and the value of this power was not safeguarded by law. But the products created by his labor power in the form of property were fortified by the severest laws. For the laborer to be in debt was equal to a crime, in fact, in its results, worse than a crime. The burglar or pickpocket would get a certain sentence and then go free. The poor debtor, however, was compelled to languish in jail at the will of his creditor.

The report of the Prison Discipline Society for 1829 estimated that fully 75,000 persons were annually imprisoned for debt in the United States and that more than one-half of these owed less than twenty dollars.[3] And such were the appalling conditions of these debtors' prisons that there was no distinction of sex, age or character; all of the unfortunates were indiscriminately herded together. Sometimes, even in the inclement climate of the North, the jails were so poorly constructed, that there was insufficient shelter from the elements. In the newspapers of the period advertisements, may be read in which charitable societies or individuals appeal for food, fuel and clothing for the inmates of these prisons. The thief and the murderer had a much more comfortable time of it in prison than the poor debtor.

LAW KIND TO THE TRADERS

With the law-making mercantile class the situation was very different. The state and national bankruptcy acts, as applied to merchants, bankers, storekeepers—the whole commercial class—were so loosely drafted and so laxly enforced and judicially interpreted, that it was not hard to defraud creditors and escape with the proceeds. A propertied bankrupt could conceal his assets and hire adroit lawyers to get him off scot-free on quibbling technicalities—a conditon which has survived to the present time, though in a lesser degree.[4]

But imprisonment for debt was not the only fate that befell the propertyless. According to the "Annual Report of the Managers of the Society for the Prevention of Pauperism in New York City," there were 12,000 paupers in New York City in 1820.[5] Many of these were destitute Irish who, after having been plundered and dispossessed by the absentee landlords and the capitalists of their own country, were induced to pay their last farthing to the shippers for passage to America. There were laws providing that ship masters must report to the Mayors of cities and give a bond that the destitutes that they brought over should not become public charges. These laws were systematically and successfully evaded; poor immigrants were dumped unceremoniously at obscure places along the coast from whence they had to make their way, carrying their baggage and beds, to the cities as best they could. Cadwallader D. Colden, mayor of New York for some years, tells, in his reports, of harrowing cases of death resulting from exposure due to this horrible form of exploitation.

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[3] Various writers assert that twenty dollars was the average minimum. In many places, however, the great majority of debts were for less than ten dollars. Thus, for the year ending November 26, 1831, nearly one thousand citizens had been imprisoned for debt in Baltimore. Of this number more than half owed less than ten dollars, and of the whole number, only thirty-four individually had debts exceeding one hundred dollars.—Reports of Committees, First Session, Twenty-fourth Congress, Vol. II, Report No. 732:3.

[4] In his series of published articles, "The History of the Prosecution of Bankrupt Frauds," the author has brought out comprehensive facts on this point.

Now, when the immigrant or native found himself in a state of near, or complete, destitution and resorted to the pawnbrokers's or to theft, what happened? The law restricted pawnbrokers from charging more than seven per cent on amounts more than $25, but on amounts below that they were allowed to charge twenty-five per cent, which, as the wage value of money then went, was oppressively high. Of course, the poor with their cheap possessions seldom owned anything on which they could get more than $25; consequently they were the victims of the most grinding legalized usury. Occasionally some legislative committee recognized, although in a dim and unanalytic way, this onerous discrimination of law against the propertyless. "Their [the pawnbrokers'] rates of interest," an Aldermanic committee reported in 1832, "have always been exorbitant and exceedingly oppressive. It has from time to time been regulated by law, and its sanctions have (as is usual upon most occasions when oppression has been legalized) been made to fall most heavily upon the poor." The committee continued with the following comments which were naïve in the extreme, considering that for generations all law had been made by and for the propertied interests: "It is a singular fact that the smallest sums advanced have always been chargeable with the highest rates of interest. . . . It is a fact worthy of consideration that by far the greater number of loans effected at these establishments are less than one dollar, and of the whole twelve-fifteenths are in sums less than one dollar and a half." [6]

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[5] The eminent merchants who sat on this committee had their own conclusive opinion of what produced poverty. In commenting on the growth of paupers they ascribed pauperism to seven sources. (1) Ignorance, (2) Intemperance, (3) Pawnbrokers, (4) Lotteries, (5) Charitable Institutions, (6) Houses of Ill-Fame, (7) Gambling.

No documents more wonderfully illustrate the bourgeois type of temperament and reasoning than their reports. The people of the city were ignorant because 15,000 of the 25,000 families did not attend church. Pawnbrokers were an incentive to theft, cunning and lack of honest industry, etc., etc. Thus their explanations ran. In referring to mechanics and paupers, the committee described them as "the middling and inferior classes." Is it any wonder that the working class justly views "charitable" societies, and the spirit behind them with intense suspicion and deep execration?

On the other hand, the propertied class not only was able to raise money at a fairly low rate of interest, but, as will appear, had the free use of the people's money, through the power of government, to the extent of tens of millions of dollars.

THE PENALTIES OF POVERTY

If a man were absolutely destitute and took to theft as the only means of warding off starvation for himself or his family, the whole force of law at once descended heavily upon him. In New York State the law decreed it grand larceny to steal to the value of $25, and in other States the statutes were equally severe. For stealing $25 worth of anything the penalty was three years in prison at hard labor. The unfortunate was usually put in the convict chain-gang and forced to work along the roads. Street-begging was prohibited by drastic laws; poverty was substantially a crime. The moment a propertyless person stole, the assumption at once was that he was *prima facie* a criminal; but let the powerful propertied man steal and government at once refused to see the criminal *intent;* if he were prosecuted, the usual outcome was that he never went to jail. Hundreds of specific instances could be given to prove this. One of the most noted of these was that of Samuel Swartwout, who was Collector of the Port of New York for a considerable period and who, at the same time, was a financier and large land-speculation promoter. It came out in 1838 that he had stolen the enormous sum of $1,222,705.69 from the Government,[7] which money he had used in his schemes. He was a fugitive from justice for a time, but upon his return was looked upon extenuatingly as the "victim of circumstances" and he never languished in jail.

Money was the standard of everything. The propertied person could commit any kind of crime, short of murder, and could at once get free on bail. But what happened to the accused who was poor? Here is a contemporaneous description of one of the prisons of the period:

> "In Bridewell, white females of every grade of character, from the innocent who is in the end acquitted, down to the basest wretch that ever disgraced the refuges of prostitution, are crowded into the same abandoned abode. With the white male prisons, the case is little altered. . . . And so it is with the colored prisoners of both sexes. Hundreds are taken up and sent to these places, who, after remaining frequently several weeks, are found to be innocent of the crime alleged and are then let loose upon the community." [8]

[6] Documents of the Board of Assistant Aldermen of New York City, 1831-32, Doc. No. 45:1.

[7] House Executive Document, No. 13, Twenty-fifth Congress, Third Session; also, House Report, No. 313.

[8] Report for 1821 of the "Society for the Prevention of Pauperism."

"Let loose upon the community." Does not this clause in itself convey volumes of significance of the attitude of the propertied interests, even when banded together in a pseudo "charitable" enterprise, toward the poverty-stricken? While thus the charitable societies were holding up the destitute to scorn and contumely as outcasts and were loftily lecturing down to the poor on the evils of intemperance and gambling—practices which were astoundingly prevalent among the rich—at no time did they make any attempt to alter laws so glaringly unjust that they practically made poverty a distinct crime, subject to long terms of imprisonment.

For instance, if a rich man were assaulted and made a complaint, all that he had to do was to give bail to insure his appearance as a witness. But if a poor man or woman were cheated or assaulted and could not give bail to insure his or her appearance at the trial as a complaining witness, the law compelled the authorities to lock up that man or woman in prison. In the debates in the New York Constitutional Convention of 1846, numerous cases were cited of this continuing barbarity in New York, Maryland, Pennsylvania and other states. In Maryland a young woman was assaulted and preferred criminal charges. As she could not give bail she was locked up for eighteen months as a detained witness. This was but one instance in thousands of similar cases.

MASTER AND BONDED MAN

For an apprenticed laborer to quit his master and job was a crime in law; once caught he was forthwith bundled off to jail, there to await the dispensation of his master. No matter how cruelly his master ill-treated him, however dissatisfied he was, the apprenticed laborer in law had no rights. Almost every day the newspapers of the eighteenth, and the early part of the nineteenth, century contained offers of rewards for the apprehension of fugitive apprentice laborers; from a survey of the Pennsylvania, New York, Massachusetts and other colonial and state newspapers it is clear that thousands of these apprentices had to resort to flight to escape their bondage. This is a specimen advertisement:

> TWENTY DOLLARS REWARD
>
> RAN away from the subscriber, an Apprentice Boy, named William Rustes, about 18 years and 3 months old, by trade a house carpenter, of a dark complexion, dark eye brows, black eyes and black hair, about 5 feet, 8 inches high, his dress unknown as he took with him different kinds of clothes. The above reward will be paid to any person that will secure him in gaol or return him to his master.
>
> GEORGE LORD,
> No. 12 First Street.[9]

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[9] "New York Gazette and General Advertiser," Aug. 5, 1797. The rewards offered for the apprehension of fugitive apprentices varied. An advertisement in the same newspaper, issue of July 3, 1797, held out an offer of five dollars reward for an indentured German boy who had "absconded." The fear was expressed that he would attempt to board some ship, and all persons were notified not to harbor or conceal him as they would be "proceeded against as the law directs."

In contradistinction to the scorpion-like laws which worked such injustice to the poor and which made a mockery of doctrines of equality before the law, the propertied interests endowed themselves, by their control of government, with invaluable exemptions and peculiarly profitable special privileges.

Even where, in civil cases, all men, theoretically, had an equal chance in courts of equity, litigation was made so expensive, whether purposely or not, that justice was really a one-sided pastime, in which the rich man could easily wear out the poor contestant. This, however, is not the place for a dissertation on that most remarkable of noteworthy sorcerer's arts, the making of justice an expensive luxury, while still deluding the people with the notion that the law knows no preferences. The preferences which are more to the point at present are those in which government force is used to enrich the already rich and impoverish the impoverished still further. At the very time that property was bitterly resisting enlightened pleas for the abolition of imprisonment for debt, for the enactment of a mechanic's lien law, and for the extension of the suffrage franchise, it was using the public money of the whole people for its personal and private enterprises. In works dealing with those times it is not often that we get penetration into the underlying methods of the trading class. But a lucid insight is inadvertently given by Walter Barrett (who, for sixty years, was in the mercantile trade) in his smug and conventional, but quaintly entertaining, volumes, "The Merchants of Old New York." This strong instance shows like a flashlight that while the success of the shippers was attributed to a fine category of energetic qualities, the benevolent assistance of the United States Government was, in a large measure, responsible for part of their accumulations.

THE SHIPPERS' HUGE GRAFT

The Griswolds of New York owned the ship "Panama." She carried spelter, lead, iron and other products to China and returned with tea, false cinnamon and various other Chinese goods. The duty on these was extremely high. But the Government was far more lenient to the trading class than the trader was to the poor debtor. It generously extended credit for nine, twelve and eighteen months before it demanded the payment of the tariff duties. What happened under this system? As soon as the ship arrived the cargo was sold at a profit of fifty per cent. The Griswolds, for example, would pocket their profits and instead of using their own capital in further ventures, they would have the gratuitous use of Government money, that is to say, the people's money, for periods of from six months to a year and a half. Thus the endless chain was kept up. According to Barrett, this was the customary attitude of the Government toward merchants: it was anything but unusual for a merchant to have the free use of Government money to the sum of four or five hundred thousand dollars.[10]

"John Jacob Astor," says Barrett with admiration, "at one period of his life had several vessels operating in this way. They would go to the Pacific and carry furs from thence to Canton. These would be sold at large profits. Then the cargoes of tea would pay enormous duties which Astor did not have to pay to the United States for a year and a half. His tea cargoes would be sold for good four and six months' paper, or perhaps cash; so that for eighteen or twenty years John Jacob Astor had what was actually a free-of-interest loan from the Government of over *five millions* of dollars." [11]

"One house," continues Barrett, "was Thomas H. Smith & Sons. This firm went enormously into the Canton trade, and, although possessing originally but a few thousand dollars, Smith imported to such an extent that when he failed he owed the United States three millions and not a cent has ever been paid." Was Smith imprisoned for debt? Not at all.

It is such revelations as these that indicate how it was possible for the shippers to pile up great fortunes at a time when "a house that could raise $260,000 in specie had an uncommon capital." They showed how the same functions of government, which were used as an engine of such oppressive power against the poor, were perverted into a highly efficient auxiliary of trading-class aims and ambitions. By multifarious subtle workings, these class laws inevitably had a double effect. They poured wealth into the coffers of the merchant-class and simultaneously tended to drive the masses into poverty. The gigantic profits taken in by merchants had to be borne by the worker, perhaps not superficially, but in reality so. They came from his slender wages, from the tea and cotton and woolen goods that he used, the sugar and the coffee and so on. In this indirect way the shippers absorbed a great part of the products of his labor; what they did not expropriate the landlord did. Then, when the laborer fell in debt to the middleman tradesman, to jail he went.[12]

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[10] The Government reports bear out Barrett's statements, although in saying this it must be with qualifications. The shippers engaged in the East India and China trade were more favored, it seems, than other classes of shippers, which discrimination engendered much antagonism. "Why," wrote the Mercantile Society of New York to the House Committee on Manufactures in 1821, "should the merchant engaged in the East India trade, who is the overgrown capitalist, have the extended credit of twelve months in his duties, the amount of which on one cargo furnishes nearly a sufficient capital for completing another voyage, before his bonds are payable?" The Mercantile Society recommended that credits on duties be reduced to three and six months on merchandise imported from all quarters of the globe.—Reports of Committees, Second Session, Sixteenth Congress, 1820-21, Vol. I, Document No. 34.

[11] "The Merchants of Old New York," 1:31-33. Barrett was a great admirer of Astor. He inscribed Vol. iii, published in 1864, to Astor's memory.

[12] The movement to abolish imprisonment for debt was a protracted one lasting more than a quarter of a century, and was acrimoniously opposed by the propertied classes, as a whole. By 1836, however, many State legislatures had been induced to repeal or modify the provisions of the various debtors' imprisonment acts. In response to a recommendation by President Andrew Jackson that the practice be

UNITE AGAINST THE WORKER

The worker denounced these discriminations as barbarous and unjust. But he could do nothing. The propertied class, with its keen understanding of what was best for its interests, acted and voted, and usually dragooned the masses of enfranchised into voting, for men and measures entirely favorable to its designs. Sometimes these interests conflicted as they did when a part of New England became manufacturing centers and favored a high protective tariff in opposition to the importing trades, the plantation owners and the agricultural class in general. Then the vested class would divide, and each side would appeal with passionate and patriotic exhortations to the voting elements of the people to sustain it, or the country would go to ruin. But when the working class made demands for better laws, the propertied class, as a whole, united to oppose the workers bitterly. However it differed on the tariff, or the question of state or national banks, substantially the whole trading class solidly combated the principle of manhood suffrage and the movements for the wiping out of laws for imprisonment for debt, for mechanic's liens and for the establishment of shorter hours of work.

Political institutions and their offspring in the form of laws being generally in the control of the trading class, the conditions were extraordinarily favorable for the accumulation of large fortunes, especially on the part of the shipowners, the dominant class. The grand climax of the galaxy of American fortunes during the period from 1800 to 1831—the greatest of all the fortunes up to the beginning of the third decade of that century—was that of Girard. He built up what was looked up to as the gigantic fortune of about ten millions of dollars and far overtopped every other strainer for money except Astor, who survived him seventeen years, and whose wealth increased during that time to double the amount that Girard left.

abolished in the District of Columbia, a House Select Committee reported on January 17, 1832, that "the system originated in cupidity. It is a confirmation of power in the few against the many; the Patrician against the Plebeian." On May 31, 1836, the House Committee for the District of Columbia, in reporting on the debtors' imprisonment acts, said: "They are disgraceful evidences of the ingenious subtlety by which they were woven into the legal system we adopted from England, and were obviously intended to increase and confirm the power of a wealthy aristocracy by rendering poverty a crime, and subjecting the liberty of the poor to the capricious will of the rich."—Reports of Committees, Second Session, Twenty-second Congress, 1832-33, Report No. 5, and Reports of Committees, First Session. Twenty-fourth Congress, 1836, Report No. 732, ii:2.

Chapter VI

GIRARD—THE RICHEST OF THE SHIPPERS

GIRARD was born at Bordeaux, France, on May 21, 1750, and was the eldest of five children of Captain Pierre Girard, a mariner. When eight years old he became blind in one eye, a loss and deformity which subjected his sensibilities to severe trials and which had the effect of rendering him morose and sour. It was his lament in later life that while his brothers had been sent to college, he was the ugly duckling of the family and came in for his father's neglect and a shrewish step-mother's waspishness. At about fourteen years of age he relieved himself of these home troubles and ran away to sea. During the nine years that he sailed between Bordeaux and the West Indies, he rose from cabin-boy to mate. Evading the French law which required that no man should be made master of a ship unless he had sailed two cruises in the royal navy and was twenty-five years old, Girard got the command of a trading vessel when about twenty-two years old. While in this service he clandestinely carried cargoes of his own, which he sold at considerable profit. In May, 1776, while en route from New Orleans to a Canadian port, he became enshrouded in a fog off the Delaware Capes, signaled for aid, and when the fog had cleared away sufficiently for an American ship, near by, to come to his assistance, learned that war was on. He thereupon scurried for Philadelphia, where he sold vessel and cargo, of which latter only a part belonged to him, and with the proceeds opened up a cider and wine bottling and grocery business in a small store on Water street.

Girard made money fast; and in July, 1777, married Mary Lum, a woman of his own class. She is usually described as a servant girl of great beauty and as one whose temper was of quite tempestuous violence. This unfortunate woman subsequently lost her reason; undoubtedly her husband's meannesses and his forbidding qualities contributed to the process. One of his most favorable biographers thus describes him: "In person he was short and stout, with a dull repulsive countenance, which his bushy eyebrows and solitary eye almost made hideous. He was cold and reserved in manner, and was disliked by his neighbors, the most of whom were afraid of him." [1]

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[1] "Kings of Fortune" :16 *et seq.* The pretentious title and sub-title of this work, by Walter R. Houghton, A.M., gives an idea of the fantastic exaltation indulged in of the careers of men of great wealth. Hearken to the full title: "Kings of Fortune—or the Triumphs and Achievements of Noble, Self-made men.—Whose brilliant careers have honored their calling, blessed humanity, and whose lives furnish instruction for the young, entertainment for the old and valuable lessons for the aspirants of fortune." Could any fulsome effusion possibly surpass this?

During the British occupation of Philadelphia he was charged by the revolutionists with extreme double-dealing and duplicity in pretending to be a patriot, and taking the oath of allegiance to the colonies, while secretly trading with the British. None of his biographers deny this. While merchant after merchant was being bankrupted from disruption of trade, Girard was incessantly making money. By 1780 he was again in the shipping trade, his vessels plying between American ports and New Orleans and San Domingo; not the least of his profits, it was said, came from slave-trading.

HOW HE BUILT HIS SHIPS

A troublous partnership with his brother, Captain Jean Girard, lasted but a short time; the brothers could not agree. At the dissolution in 1790 Stephen Girard's share of the profits amounted to $30,000. Girard's greatest stroke came from the insurrection of the San Domingo Negroes against the French several years later. He had two vessels lying in the harbor of one of the island ports. At the first mutterings of danger, a number of planters took their valuables on board one of these ships and scurried back to get the remainder. The sequel, as commonly narrated, is represented thus: The planters failed to return, evidently falling victims to the fury of the insurrectionists. The vessels were taken to Philadelphia, and Girard persistently advertised for the owners of the valuables. As no owners ever appeared Girard sold the goods and put the proceeds, $50,000, into his own bank account. "This," says Houghton, "was a great assistance to him, and the next year he began the building of those splendid ships which enabled him to engage so actively in the Chinese and West India trades."

From this time on his profits were colossal. His ships circumnavigated the world many times and each voyage brought him a fortune. He practiced all of those arts of deception which were current among the trading class and which were accepted as shrewdness and were inseparably associated with legitimate business methods. In giving one of his captains instructions he wrote, as was his invariable policy, the most explicit directions to exercise secretiveness and cunning in his purchases of coffee at Batavia. Be cautious and prudent, was his admonition. Keep to yourself the intention of the voyage and the amount of specie that you have on board. To satisfy the curious, throw them off the scent by telling them that the ship will take in molasses, rice and sugar, if the price is very low, adding that the whole will depend upon the success in selling the small Liverpool cargo. If you do this, the cargo of coffee can be bought ten per cent cheaper than it would be if it is publicly known there is a quantity of Spanish dollars on board, besides a valuable cargo of British goods intended to be invested in coffee for Stephen Girard of Philadelphia.

By 1810 we see him ordering the Barings of London to invest in shares of the Bank of the United States half a million dollars which they held for him. When the charter expired, he was the principal creditor of that bank; and he bought, at a great bargain, the bank and the cashier's house for $120,000. On May 12, 1812, he opened the Girard Bank, with a capital of $1,200,000, which he increased the following year by $100,000 more.[2]

A DICTATOR OF FINANCE

His wealth was now overshadowingly great, his power immense. He was a veritable dictator of the realms of finance; an assiduous, repellent little man, with his devil's eye, who rode roughshod over every obstacle in his path. His every movement bred fear; his veriest word could bring ruin to any one who dared cross his purposes. The war of 1812 brought disaster to many a merchant, but Girard harvested fortune from the depths of misfortune. "He was, it must be said," says Houghton, "hard and illiberal in his bargains, and remorseless in exacting the last cent due him." And after he opened the Girard Bank: "Finding that the salaries which had been paid by the government were higher than those paid elsewhere, he cut them down to the rate given by the other banks. The watchman had always received from the old bank the gift of an overcoat at Christmas, but Girard put a stop to this. He gave no gratuities to any of his employees, but confined them to the compensation for which they had bargained; yet he contrived to get out of them service more devoted than was received by other men who paid higher wages and made presents. Appeals to him for aid were unanswered. No poor man ever came full-handed from his presence. He turned a deaf ear to the entreaties of failing merchants to help them on their feet again. He was neither generous nor charitable. When his faithful cashier died, after long years spent in his service, he manifested the most hardened indifference to the bereavement of the family of that gentleman, and left them to struggle along as best they could."

Further, Houghton unconsciously proceeds to bring out several incidents which show the exorbitant profits Girard made from his various business activities. In the spring of 1813, one of his ships was captured by a British cruiser at the mouth of the Delaware. Fearing that his prize would be recaptured by an American warship if he sent her into port, the English Admiral notified Girard that he would ransom the ship for $180,000 in coin. Girard paid the money; and, even after paying that sum, the cargo of silks, nankeens and teas yielded him a profit of half a million dollars. His very acts of apparent public spirit were means by which he scooped in large profits. Several times, when the rate of exchange was so high as to be injurious to general business, he drew upon Baring Bros. for sums of money to be transferred to the United States. This was hailed as a public benefaction. But what did Girard do? He disposed of the money to the Bank of the United States and charged ten per cent. for the service.

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[2] "Mr. Girard's bank was a financial success from the beginning. A few months after it opened for business its capital was increased to one million three hundred thousand dollars. One of the incidents which helped, at the outstart, to inspire the public with confidence in the stability of the new institution was the fact that the trustees who liquidated the affairs of the old Bank of the United States opened an account in Girard's Bank, and deposited in its vaults some millions of dollars in specie belonging to the old bank."—"The History of the Girard National Bank of Philadelphia," by Josiah Granville Leach, LL.B., 1902. This eulogistic work contains only the scantiest details of Girard's career.

BRIBERY AND INTIMIDATION

The reëstablishment and enlarged sway of this bank were greatly due to his efforts and influence; he became its largest stockholder and one of its directors. No business institution in the first three decades of the nineteenth century exercised such a sinister and overshadowing influence as this chartered monopoly. The full tale of its indirect bribery of politicians and newspaper editors, in order to perpetuate its great privileges and keep a hold upon public opinion, has never been set forth. But sufficient facts were brought out when, after years of partisan agitation, Congress was forced to investigate and found that not a few of its own members for years had been on the payrolls of the bank.[3]

In order to get its charter renewed from time to time and retain its extraordinary special privileges, the United States Bank systematically debauched politics and such of the press as was venal; and when a critical time came as it did in 1832-34, when the mass of the people sided with President Jackson in his aim to overthrow the bank, it instructed the whole press at its command to raise the cry of "the fearful consequences of revolution, anarchy and despotism," which assuredly would ensue if Jackson were reëlected. To give one instance of how for years it had manipulated the press: The "Courier and Enquirer" was a powerful New York newspaper. Its owners, Webb and Noah, suddenly deserted Jackson and began to denounce him. The reason was, as revealed by a Congressional investigation, that they had borrowed $50,000 from the United States Bank which lost no time in giving them the alternative of paying up or supporting the bank.[4]

Girard's share in the United States Bank brought him millions of dollars. With its control of deposits of government funds and by the provisions of its charter, this bank swayed the whole money marts of the United States and could manipulate them at will. It could advance or depress prices as it chose. Many times, Girard with his fellow directors was severely denounced for the arbitrary power he wielded. But—and let the fact be noted—the denunciation came largely from the owners of the State banks who sought to supplant the United States Bank. The struggle was really one between two sets of capitalistic interests.

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[3] The First Session of the Twenty-second Congress, 1831, iv, containing reports from Nos. 460 to 463.

[4] Ibid.

An investigating committee appointed by the Pennsylvania Legislature in 1840, reported that during a series of years the Bank of the United States (or United States Bank, as it was more often referred to) had corruptly expended $130,000 in Pennsylvania for a re-charter.—Pa. House Journal, 1842, Vol. II, Appendix, 172-531.

Shipping and banking were the chief sources of Girard's wealth, with side investments in real estate and other forms of property. He owned large tracts of land in Philadelphia, the value of which increased rapidly with the growth of population; he was a heavy stockholder in river navigation companies and near the end of his life he subscribed $200,000 toward the construction of the Danville & Pottsville Railroad.

THE SOLITARY CRŒSUS

He was at this time a solitary, crusty old man living in a four-story house on Water street, pursued by the contumely of every one, even of those who flattered him for mercenary purposes. Children he had none, and his wife was long since dead. His great wealth brought him no comfort; the environment with which he surrounded himself was mean and sordid; many of his clerks lived in better style. There, in his dingy habitation, this lone, wizened veteran of commerce immersed himself in the works of Voltaire, Diderot, Paine and Rousseau, of whom he was a profound admirer and after whom some of his best ships were named.

This grim miser had, after all, the one great redeeming quality of being true to himself. He made no pretense to religion and had an abhorrence of hypocrisy. Cant was not in his nature. Out into the world he went, a ferocious shark, cold-eyed for prey, but he never cloaked his motives beneath a calculating exterior of piety or benevolence. Thousands upon thousands he had deceived, for business was business, but himself he never deceived. His bitter scoffs at what he termed theologic absurdities and superstitions and his terrific rebuffs to ministers who appealed to him for money, undoubtedly called forth a considerable share of the odium which was hurled upon him. He defied the anathemas of organized churchdom; he took hold of the commercial world and shook it harshly and emerged laden with spoils. To the last, his volcanic spirit flashed forth, even when, eighty years old, he lay with an ear cut off, his face bruised and his sight entirely destroyed, the result of being felled by a wagon.

In all his eighty-one years charity had no place in his heart. But after, on Dec. 26, 1831, he lay stone dead and his will was opened, what a surprise there was! His relatives all received bequests; his very apprentices each got five hundred dollars, and his old servants annuities. Hospitals, orphan societies and other charitable associations all benefited. Five hundred thousand dollars went to the City of Philadelphia for certain civic improvements; three hundred thousand dollars for the canals of Pennsylvania; a portion of his valuable estate in Louisiana to New Orleans for the improvement of that city. The remainder of the estate, about six millions, was left to trustees for the creation and endowment of a College for Orphans, which was promptly named after him.

A chorus of astonishment and laudation went up. Was there ever such magnificence of public spirit? Did ever so lofty a soul live who was so misunderstood? Here and there a protesting voice was feebly heard that Girard's wealth came from the community and that it was only justice that it should revert to the community; that his methods had resulted in widows and orphans and that his money should be applied to the support of those orphans. These protests were frowned upon as the mouthings of cranks or the ravings of impotent envy. Applause was lavished upon Girard; his very clothes were preserved as immemorial mementoes.[5]

"THE GREAT BENEFACTOR"

All of the benefactions of the other rich men of the period waned into insignificance compared to those of Girard. His competitors and compeers had given to charity, but none on so great a scale as Girard. Distinguished orators vied with one another in extolling his wonderful benefactions,[6] and the press showered encomiums upon him as that of the greatest benefactor of the age. To them this honestly seemed so, for they were trained by the standards of the trading class, by the sophistries of political economists and by the spirit of the age, to concentrate their attention upon the powerful and successful only, while disregarding the condition of the masses of the people.

The pastimes of a king or the foibles of some noted politician or rich man were things of magnitude and were much expatiated upon, while the common man, singly or in mass, was of absolutely no importance. The finely turned rhetoric of the orators, pleasing as it was to that generation, is, judged by modern standards, well-nigh meaningless and worthless. In that highflown oratory, with its carefully studied exordiums, periods and perorations can be clearly discerned the reverence given to power as embodied by possession of property. But nowhere do we see any explanation, or even an attempt at explanation, of the basic means by which this property was acquired or of its effect upon the masses of the people. Woefully lacking in facts are the productions of the time as to how the great body of the workers lived and what they did. Facts as to the rich are fairly available, although not abundant, but facts regarding the rest of the population are pitifully few. The patient seeker for truth—the mind which is not content with the presentation of one side—finds, with some impatience, that only a few writers thought it worth while to give even scant attention to the condition of the working class. One of these few was Matthew Carey, an orthodox political economist, who, in a pamphlet issued in 1829,[7] gave this picture which forms both a contrast and a sequel to the accumulations of multimillionaires, of which Girard was then the archtype:

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[5] In providing for the establishment of Girard College, Girard stated in his will: "I enjoin and require that no ecclesiastic, missionary, or minister of any sect whatsoever, shall ever hold or exercise any station or duty whatsoever in the said college; nor shall any such person be admitted for any purpose, or as a visitor within the premises appropriated to the purposes of said college."—The Will of the Late Stephen Girard, Esq., 1848:22-23.

An attempt was made by his relatives in France to break his will, one of the grounds being that the provisions of his will were in conflict with the Christian religion which was a part of the common law of Pennsylvania. The attempt failed.

[6] For example, an address by Edward Everett, at the Odeon, before the Mercantile Library Association in Boston, September 13, 1838: "Few persons, I believe, enjoyed less personal popularity in the community in which he lived and to which he bequeathed his personal fortune. . . . A citizen and a patriot he lived in his modest dwelling and plain garb; appropriating to his last personal wants the smallest pittance from his princely income; living to the last in the dark and narrow street in which he made his fortune; and when he died bequeathed it for the education of orphan children. For the public I do not believe he could have done better," etc., etc.—Hunt's Merchant's Magazine," 1830, 1:35.

A STARK CONTRAST PRESENTED

"Thousands of our laboring people travel hundreds of miles in quest of employment on canals at 62½ cents to 87½ cents per day, paying $1.50 to $2.00 a week for board, leaving families behind depending upon them for support. They labor frequently in marshy grounds, where they inhale pestiferous miasmata, which destroy their health, often irrevocably. They return to their poor families broken-hearted, and with ruined constitutions, with a sorry pittance, most laboriously earned, and take to their beds, sick and unable to work. Hundreds are swept off annually, many of them leaving numerous and helpless families. Notwithstanding their wretched fate, their places are quickly supplied by others, although death stares them in the face. Hundreds are most laboriously employed on turn-pikes, working from morning to night at from half a dollar to three-quarters a day, exposed to the broiling sun in summer and all the inclemency of our severe winters. There is always a redundancy of wood-pilers in our cities, whose wages are so low that their utmost efforts do not enable them to earn more than from thirty-five to fifty cents per day. . . . Finally there is no employment whatever, how disagreeable or loathsome, or deleterious soever it may be or however reduced the wages, that does not find persons willing to follow it rather than beg or steal."

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[7] "The Public Charities of Philadephia."

PART II

THE GREAT LAND FORTUNES

Chapter I

THE ORIGIN OF HUGE CITY ESTATES

IN POINT of succession and importance the next great fortunes came from ownership of land in the cities. They far preceded fortunes from established industries or from the control of modern methods of transportation. Long before Vanderbilt and other of his contemporaries had plucked immense fortunes from steamboat, railroad and street-railway enterprises, the Astor, Goelet, and Longworth fortunes were counted in the millions. In the seventy years from 1800, the land-owners were the conspicuous fortune possessors; and, although fortunes of millions were extracted from various other lines of business, the land fortunes were preëminent.

At the dawn of the nineteenth century and until about 1850, survivals of the old patroon estates were to be met with. But these gradually disintegrated. Everywhere in the North the tendency was toward the partition of the land into small farms, while in the South the condition was the reverse. The main fact which stood out was that the rich men of the country were no longer those who owned vast tracts of rural land. That powerful kind of landowner had well-nigh vanished.

THE MANORIAL LORDS PASS AWAY

For more than two centuries the manorial lords had been conspicuous functionaries. Shorn of much power by the alterations of the Revolution they still retained a part of their state and estate. But changing laws and economic conditions drove them down and down in the scale until the very names of many of them were gradually lost sight of. As they descended in the swirl, other classes of rich men came into view. Chief among these nascent classes were the landowners of the cities, at first grubbing tradesmen and land speculators and finally rising to the crowning position of multi-millionaires. Originally, as we have seen, the manorial magnate himself made the laws and decreed justice; but in two centuries great changes had taken place. He now had to fight for his very existence.

Thus, to give one example, the manorial men in New York were confronted in 1839 by a portentous movement. Their tenants were in a state of unrest. On the Van Rensselaer, the Livingston and other of the old feudal estates they rose in revolt. They objected to the continuing system which gave the lords of these manors much the same rights over them as a lord in England exercised over his tenants. Under the leases that the manorial lords compelled their tenants to sign, there were oppressive anachronisms. If he desired to entertain a stranger in his house for twenty-four hours, the tenant was required to get permission in writing. He was forced to obligate himself not to trade in any commodities except the produce of the manor. He could not get his flour ground anywhere else than at the mill of the manor without violating his lease and facing eviction, nor could he buy anything at any place except at the store of the manorial magnate. These were the rights reserved to the manorial lords after the Revolution, because theirs were the rights of private property; and as has often been set forth, property absolutely dominated the laws and greatly nullified the spirit of a movement made successful by the blood and lives of the masses in the Revolutionary Army. Tardily, subsequent legislatures had abolished all feudal tenures, but these laws were neither effective nor were enforced by the authorities who reflected and represented the interests of the proprietors of the manors.

On their part the manorial men believed that self-interest, pride and adherence to ancient traditions called for the perpetuation of their arbitrary power. They refused to acknowledge that law had any right to interfere in the managing of what they considered their private affairs. Eager to avail themselves of the police power of the law in dispossessing any fractious or impecunious tenant and in suppressing protest meetings, they, at the same time, denounced law as tyrannical when it sought to inject more modern and humane conditions in the managing of their estates. They stubbornly insisted upon a tenantry, and as obstinately contested any forfeiture of what they deemed their property rights.

FEUDAL TENURES ABOLISHED

A long series of reprisals and an intense agitation developed. The Anti-Renters mustered such sympathetic political strength and threw the whole state into such a vortex of radical discussion, that the politicians of the day, fearing the effects of such a movement, practically forced the manorial magnates to compromise by selling their land in small farms,[1] which they did at exorbitant prices. They made large profits on the strength of the very movement which they had so bitterly opposed. Affrighted at the ominous unrest of a large part of the people and hoping to stem it, the New York Constitutional Convention in 1846 adopted a Constitutional inhibition on all feudal tenures, an inhibition so drafted that no legislature could pass a law contravening it.[2]

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[1] In 1847 and 1849 the Anti-Renters demonstrated a voting strength in New York State of about 5,000. Livingston's title to his estate being called into question, a suit was brought. The court decision favored him. The Livingstons, it may be again remarked, were long powerful in politics, and had had their members on the bench.—"Life of Silas Wright," 199-226; "Last Leaves of American History": 16-18, etc.

[2] The debates in this convention showed that the feudal conditions described in this chapter prevailed down to 1846.—New York Constitution; Debates in Conven-

So, in this final struggle, passed away the last vestiges of the sway of the all-powerful patroons of old. They had become archaic. It was impossible for them to survive in the face of newer conditions, for they represented a bygone economic and social era. Their power was one accruing purely from the extent of their possessions and discriminative laws. When these were wrenched from their grasp, their importance as wielders of wealth and influence ceased. They might still boast of their lineage, their aristocratic enclosure and culture and their social altitude, but these were about the only remnants of consolation left.

The time was unpropitious for the continuation of great wealth based upon rural or small-town land. Many influences conspired to make this land a variable property, while these same influences, or a part of them fixed upon city land an enhancing and graduating permanency of value. The growth of the shipping trade built up the cities and attracted workers and population generally. The establishment of the factory system in 1790 had a two-fold effect. It began to drain country sections of many of the younger generations and it immediately enlarged the trading activities of the cities. Another and much more considerable part of the farming population in the East was constantly migrating to the West and Southwest with their promising opportunities. Some country districts thinned out; others remained stationary. But whether the rural census increased or not, there were other factors which sent up or down the value of farming lands. The building of a canal would augment the value of land in one section and cause stimulation, and depress conditions in another section not so favored. Even this stimulation, however, was often transient. With each fresh settlement of the West and with the construction of each pioneer railroad, new and complex factors turned up which generally had a depreciating effect upon Eastern lands. A country estate worth a large sum in one generation might very well succumb to a mortgage in the next.

THE NEW ARISTOCRACY

But fortunes based upon land in the cities were indued with a mathematical certainty and a perpetuity. City real estate was not subject to the extreme fluctuating processes which so disordered the value of rural land. All of the tendencies and currents of the times favored the building up of an aristocracy based upon ownership of city property. Compared to their present colossal proportions the cities were then mere villages. There was a nucleus of perhaps a mile or two of houses, beyond which were fields and orchards, meadows and wastes. These could be bought for an insignificant sum. With the progressing growth of commerce and population, with immigration continually going on, every year witnes-

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tion, 1846; 1052-1056. This is an extract from the official convention report: "Mr. Jordan [a delegate] said that it was from such things that relief was asked: which although the moral sense of the community will not admit to be enforced, are still actually in existence."

sing a keener pressure for occupation of the land, the value of this latter was certain to increase. There was no chance of its being otherwise.

Up to 1825 it was a moot question whether the richest landowners would arise in New York, Philadelphia, Boston or Baltimore. For many years Philadelphia had been far in the lead in extent of commerce. But the opening of the Erie Canal at once settled this question. At a bound New York attained the rank of the foremost commercial city in the United States, completely outstripping its competitors. While the trade of these fell off precipitately, the population and trade of New York City nearly doubled in a single decade. The value of land began to increase stupendously. The swamps, rocky wastes and flats and the land under water of a few years before became prolific sources of fortunes. Land which had been worth a paltry sum ten or twenty years before sprang to a considerable value and, in course of time, with the same causes in a more intense ratio of operation, was vested with a value of hundreds of millions of dollars. This being so, it was not surprising that the richest landowners should appear first in New York City and should be able to maintain their supremacy.

The wealth of the landowners soon completely eclipsed that of the shippers. Enormous as were the profits of the shipping business, they were immediate only. In the contest for wealth it was inevitable that the shippers should fall behind. Their business was one of peculiar uncertainties. The hazards of the sea, the fluctuations and vicissitudes of trade, the severe competition of the times, exposed their traffic to many mutations. Many of the rich shipowners well understood this; the surplus wealth derived from commerce on the seas they invested in land, banks, factories, turnpikes, insurance companies, railroads and in some instances, lotteries. Those shipping millionaires who clung exclusively to the sea fell in the scale of the rich class, especially as the time came when foreign shipping largely supplanted the trade hitherto carried in American cutters. Other shippers who applied their surplus capital to investments in other forms of trade and ownership advanced rapidly in wealth.

CITY LAND THE SUPREME FACTOR

Between land ownership and other forms, however, there was a great difference. Trade was then extremely individualistic; the artificial controlling power called the corporation was in its earliest infantile condition. The heirs of the owner of sixty line of sail might not possess the same astuteness, the same knowledge, adroitness, and cunning—or, let us say, unscrupulousness—the same severe application as the founder. Consequently the business would decay or fall into the hands of others shrewder or more fortunate. As to factories the condition was somewhat the same; and, after the organization of labor unions the possibility of strikes was an ever-present danger to the constant flow of profits. Banks were by no means fixed, unchangeable establishments. Like other media of profit-making, the extent of their power and profits depended upon prevailing conditions and very largely upon the favoritism or policy of Government. At any time the party controlling government functions might change and a radically different policy in banking, tariff or other laws be put in force.

These changing laws did not, it is true, vitally benefit the masses of the people, for one set or other of the propertied interests almost invariably benefited. The laws enacted were usually in response to a demand made by contending propertied interests. The trade and political struggles carried on by the commercial interests were a series of incessant wars, in which every individual owner, firm or combination was fiercely resisting competitors or striving for their overthrow.

THE INVULNERABLE LANDOWNER

But the landowner occupied a superior position which neither political conditions nor the flux of changing circumstances could materially assail. He was ardently individualistic also in that he demanded, and was accorded, the unimpaired right to get land in any way that he legally could, hold a monopoly of as much of it as he pleased, and dispose of it as he willed. In the very act of asserting this individualism he called upon Society, through its machinery of Government, for the enactment of particular laws, to guarantee him the sole possession of his land and uphold his claims and rights by force if necessary. These were all the basic laws that he needed and these laws did not change. From generation to generation they remained fixed, immovable. The interests of all landowners were identical; those of the traders were varying and conflicting. For long periods the landowner could expect the continuance of existing fundamental laws regarding the ownership of land, while the shipper, the factory owner, the banker did not know what different set of laws might be enacted at any time.

Furthermore, the landowner had an efficient and never-failing auxiliary. He yoked society as a partner, but it was a partnership in which the revenue went exclusively to the landowner. The principal factor he depended upon was the work of collective humans in adding greater and greater values to his land. Broadly speaking, his share consisted in merely looking on; he had nothing to do except hold on to his land. His sons, grandsons, his descendants down to remotest posterity need do even less; they could leisurely hold on to their inheritance, enlarge it, hire the necessary ability of superintendence and vast and ever vaster riches would be theirs. Society worked feverishly for the landowner. Every street laid and graded by the city; every park plotted and every other public improvement; every child born and every influx of immigrants; every factory, warehouse and dwelling that went up—all these and more agencies contributed toward the abnormal swelling of his fortune.

A PROLIFIC BREEDER OF WEALTH

Under such a system land was the one great auspicious, facile and durable means of rolling up an overshadowing fortune. Its exclusive possession struck at the very root of human necessity. At a pinch people can do without trade or money, but land they must have, even if only to lie down on and starve. The impoverished, jobless worker, with disaster facing him, must first perforce give up his precious few coins to the landlord and take chances on food and the remainder. Especially is land in demand in a complicated industrial system which causes much of the population to gravitate to centers where industries and trade are concentrated and congest there.

A more formidable system for the foundation and amplification of lasting fortunes has not existed. It is automatically self-perpetuating. And that it is preëminently so is seen in the fact that the large shipping fortunes of a century ago are now generally as completely forgotten as the methods then used are obsolete. But the land has remained land; and the fortunes then incubated have grown into mighty powers of great national, and some of considerable international, importance.

It was by favor of these propitious conditions that many of the great fortunes, based upon land, were founded. According to the successive census returns of the United States, by far the greater part of the wealth of the country as regards real estate was, and is, concentrated in the North Atlantic Division and the North Central Division, the one taking in such cities as New York, Philadelphia, and Boston, the other Chicago, Cincinnati and other cities.[3] It is in the large cities that the great land fortunes are to be found. The greatest of these fortunes are the Astor, Goelet and Rhinelander estates in the East and, in the West, the Longworth and Field estates are notable examples. To deal with all the conspicuous fortunes based upon land would necessitate an interminable narrative. Suffice it for the purposes of this work to take up a few of the superlatively great fortunes as representatives of those based upon land.

VAST FORTUNES FROM LAND

The foremost of all American fortunes derived from land is the Astor fortune. Its bulk, in 1908, embracing all the collateral family branches, was estimated by some authorities at about $300,000,000. This, it was generally believed, is an underestimate. As long ago as 1889, when the population of New York City was much less than now, Thomas G.

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[3] Of a total of $39,544,333,000, representing wealth in real estate and improvements, the census of 1890 attributed $13,905,274,364 to the North Atlantic Division and a trifle more than $15,000,000,000 to the North Central Division. In 1922, wealth in real estate was $176,414,000,000, of which the bulk was in States having large cities. Ten years later, during the depression, the assessed valuation was $124,706,000,000, of which $44,070,000,000 was in New York, New Jersey and Pennsylvania, and $28,699,000,000 in the Middle West.

Shearman, a keen student of land conditions, placed the collective wealth of the Astors at $250,000,000.[4] The stupendous magnitude of this fortune alone may at once be seen in its relation to the condition of the masses of the people. An analysis of the United States census of 1900, compiled by Lucien Sanial, shows that while the total wealth of the country was estimated at about $95,000,000,000, the proletarian class, composed chiefly of wage workers and a small proportion of those in professional classes, and numbering 20,393,137 persons, owned only about $4,000,000,000. The report of the United States Commission on Industrial Relations, in 1916, quoted "the recently published researches of a statistician of conservative views," namely Willard I. King, in his "Wealth and Income of the People of the United States," as computing: The rich, two per cent of the people, owned 60 per cent of the wealth; the middle class 33 per cent of the people owned 35 per cent of the wealth; the poor, 65 per cent of the people, owned 5 per cent of the wealth. "The actual concentration," the report declared, "has, however, been carried very much further than these figures indicate. The largest private fortune in the United States, estimated at $1,000,000,000 is equivalent to the aggregate wealth of 2,500,000 of those who are classed as 'poor', who are shown to own on the average about $400 each."[5]

After that report was submitted there were great mergers of industrial corporations, concentrating wealth still further. Some statistics on results following the great depression of 1929 are available. The number of personal million dollar incomes dropped but much of this shrinkage was officially declared as primarily due to a new method prescribed of reporting capital. At any rate, there were in America, in 1933, fifty who acknowledged incomes of $1,000,000 or more, and twenty-two resided in New York State. At the same time the number of unemployed in America was estimated at 11,000,000 or 12,000,000. Notably, while owners of great real estate fortunes held their property intact during that depression, vast amounts of smaller real estate properties were taken over by foreclosure by the big life insurance companies and by banks in various sections of the country.

It is by such a contrast, bringing out how one family alone, the Astors, own more than many millions of workers, that we begin to get an idea of the overreaching, colossal power of a single fortune. The Goelet fortune is likewise vast; it is estimated at a total of a hundred million dollars or more, although what its exact proportions are is a matter of some obscurity.

In the case of these great fortunes it is well-nigh impossible to get an accurate idea of just how much they reach. All of them are based primarily upon ownership of land, but they also include many other forms such as shares in banks, coal and other mines, railroads, city transportation systems, gas plants, industrial corporations. Even the most indefatigable tax assessors find it such a fruitless and elusive task in attempting to discover what personal property is held by these multi-millionaires, that the assessment is usually a conjectural or haphazard performance. The extent of their land holdings is known; these cannot be hid in a safe deposit vault. But their other varieties of property are carefully concealed from public and official knowledge. Since this is so, it is entirely probable that the fortunes of these families are considerably greater than is commonly estimated. The case of Marshall Field, a Chicago Crœsus, who left a fortune valued at about $100,000,000, is a strong illustration. This man owned $30,000,000 worth of real estate in Chicago alone. There was no telling, however, what his whole estate amounted to, for he refused year after year to pay taxes on more than a valuation of $2,500,000 of personal property. Yet, after his death in 1906, an inventory of his estate filed in January, 1907, disclosed a clear taxable personal property of $49,977,270. He was far richer than he would have it appear.

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[4] The Forum (Magazine), November, 1889.

[5] Final Report and Testimony, U. S. Commission on Industrial Relations, 1916. 1:33.

Let us investigate the careers of some of these powerful landed men, the founders of great fortunes, and inquire into their methods and into the conditions under which they succeeded in heaping up their immense accumulations.

Chapter II

THE INCEPTION OF THE ASTOR FORTUNE

THE founder of the Astor fortune was John Jacob Astor, a butcher's son. He was born in Waldorf, Germany, on July 17, 1763. At the age of eighteen, according to traditional accounts, he went to London, where a brother, George Peter, was in the business of selling musical instruments. Two years later with "one good suit of Sunday clothes, seven flutes and five pounds sterling of money" [1] he emigrated to America. Landing at Baltimore he proceeded to New York City.

Here he became an apprentice to George Dieterich, a baker at No. 351 Pearl street, for whom he peddled cakes, as was the custom. Walter Barrett insists that this was Astor's first occupation in New York. Later, Astor went into business for himself. "For a long time," says Barrett, "he peddled [fur] skins, and bought them where he could; and bartered cheap jewelry, etc., from the pack he carried on his back." [2] Another story is that he got a job beating furs for $2 a week and board in the store of Robert Bowne, a New York merchant; that while in this place he showed great zest in quizzing the trappers who came in to sell furs, and that in this fashion he gained considerable knowledge of the fur animals. The story proceeds that as Bowne grew older he entrusted to Astor the task of making long and fatiguing journeys to the Indian tribes in the Adirondacks and Canada and bargaining with them for furs.

ASTOR'S EARLY CAREER

Astor got together enough money to start in the fur business for himself in 1786 in a small store on Water Street. It is not unreasonable to suppose that at this time he, in common with all the fur dealers of the time, participated in the current methods of defrauding the Indians. It is certain that he contrived to get their most valuable furs for a jug of rum or for a few toys or notions. Returning from these strokes of trade, he would ship large quantities of the furs to London, where they were sold at great profit.

His marriage to Sarah Todd, a cousin of Henry Brevoort, brought him a good wife, who had the shining quality of being economical, and an accession of some means and considerable family connections. Remarkably close-fisted, he weighed over every penny. As fast as his means increased he used them in extending his business. By 1794 he was somewhat of an expansive merchant. Scores of trappers and agents ravaged the wilderness at his command. Periodically he shipped large quantities of furs to Europe. His modest, even niggardly, ways of living in rooms over his store were not calculated to create the impression that he was a rich man. It was his invariable practice habitually to deceive others as to his possessions and plans. But when, in 1800, he removed to No. 223 Broadway, at the corner of Vesey Street, then a fashionable neighborhood, he was rated, perforce, as a man of no inconsiderable means. He was, in fact, as nearly as can be gathered, worth at this time a quarter of a million dollars—a monumental fortune at a period when a man who had $50,000 was thought rich; when a good house could be rented for $350 a year and when $750 or $800 would fully defray the annual expenses of the average well-living family.

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[1] Parton's "Life of John Jacob Astor": 28.

[2] "The Merchants of Old New York," 1:287.

The great profits from the fur trade naturally led him into the business of being his own shipowner and shipper, for he was a highly efficient organizer and well understood the needlessness of middlemen. A beaver skin bought for one dollar from the Indian or white trappers in Western New York could be sold in London for six dollars and a quarter. On all other furs there were the same large profits. But, in addition to these, Astor saw that his profits could be still further increased by investing the money that he received from the sale of his furs in England, in English goods and importing them to the United States. By this process, the profit from a single beaver skin could be made to reach ten dollars. At that time the United States depended upon British manufacturers for many articles, especially certain grades of woolen goods and cutlery. These were sold at exorbitant profit to the American people. This trade Astor carried on in his own ships.

HIS METHODS IN BUSINESS

It is of the greatest importance to ascertain Astor's methods in his fur trade, for it was fundamentally from this trade that he reaped the enormous sums that enabled him to become a large landowner. What these methods were in his earlier years is obscure. Nothing definite is embodied in any documentary evidence. Not so, however, regarding the methods of the greatest and most successful of his fur gathering enterprises, the American Fur Company. The "popular writer" referred to before says that the circumstances of Astor's fur and shipping activities are well known. On the contrary, they are distinctly not well known nor have they ever been set forth. None of Astor's biographers brought them out, if, indeed, they knew of them. And yet these facts are of the most absolute significance in that they reveal the whole foundation of the colossal fortune of the Astor family.

The pursuit and slaughter of fur animals were carried on with such indefatigable vigor in the East that in time that territory became virtually exhausted. It became imperative to push out into the fairly virgin regions of the Mississippi and Missouri Rivers and of the Rocky Mountains. The Northwest Company, a corporation running under British auspices, was then scouring the wilds west and northwest of the Great Lakes. Its yearly shipments of furs were enormous.[3] Astor realized the inconceivably vaster profits which would be his in extending his scope to the domains of the far West, so prolific in opportunities for furs.

In 1808 he incorporated the American Fur Company. Although this was a corporation, he was, in fact, the Company. He personally supplied its initial capital of $500,000 and dictated every phase of its policy. His first ambitious design was to found the settlement of Astoria in Oregon, but the war of 1812 frustrated plans well under way, and the expedition that he sent out there had to depart.[4] Had this plan succeeded, Astor would have been, as he rightly boasted, the richest man in the world; and the present wealth of his descendants would be manifold more.

MONOPOLY BASED ON FORCE

Thwarted in his project to get a monopoly of the incalculable riches of furs in the extreme Northwest, he concentrated his efforts on that vast region extending along the Missouri River, far north to the Great Lakes, west to the Rocky Mountains and into the Southwest. It was a region abounding in immense numbers of fur animals and, at that time, was inhabited by the Indian tribes, with here and there a settlement of whites. By means of Government favoritism and the unconcealed exercise of both fraud and force, he obtained a complete monopoly, as complete and arbitrary as ever feudal baron held over seignorial estates. Nominally, the United States Government ruled this great sweep of territory and made the laws and professed to execute them. In reality, Astor's company was a law unto itself. That it employed both force and fraud and entirely ignored all laws enacted by Congress, is as clear as daylight from the Government reports of that period.

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[3] The extent of its operations and the rapid slaughter of fur animals may be gathered by a record of one year's work. In 1793 this company enriched itself by 106,000 beaver skins, 2,100 bear skins, 1,500 fox skins, 400 kit fox, 16,000 muskrat, 32,000 martin, 1,800 mink, 6,000 lynx, 6,000 wolverine, 1,600 fisher, 100 raccoon, 1,200 dressed deer, 700 elk, 550 buffalo robes, etc.

[4] Astor was accused by a Government agent of betraying the American cause at the outbreak of this war. In addition to the American Fur Company, Astor had other fur companies, one of which was the Southwest Company. Under date of June 18, 1818, Matthew Irwin, U. S. factor or agent at Green Bay, Wis., wrote to Thomas L. McKenney, U. S. Superintendent of Indian Affairs: "It appears that the Government has been under an impression [that] the Southwest Company, of which Mr. John Jacob Astor is the head, is strictly an American company, and in consequence, some privileges in relation to trade have been granted to that company." Irwin went on to tell how Astor had obtained an order from Gallatin, U. S. Secretary of the Treasury, allowing him, Astor, to land furs at Mackinac from the British post at St. Joseph's. Astor's agent in this transaction was a British subject. "On his way to St. Joseph's," Irwin continued, "he [Astor's British agent] communicated to the British at Malden that war had been or would be declared. The British made corresponding arrangements and landed on the Island of Mackinac with regulars, Canadians and Indians before the commanding officer there had notice that war would be declared. The same course was about to be pursued at Detroit, before the arrival of troops with Gen. Hull, who, having been on the march there, frustrated it." Irwin declared that Astor's purpose was to save his furs from capture by the British, and concluded: "Mr. Astor's agent brought the furs to Mackinac *in company with the British troops,* and the whole transaction is well known at Mackinac and Detroit."—U. S. Senate Docs., First Session, Seventeenth Congress. 1821-22, Vol. I, Doc. No. 60:50-51.

The American Fur Company maintained three principal posts or depots of receiving and distribution—one at St. Louis, one at Detroit, the third at Mackinac. In response to an order from Lewis Cass, Secretary of War, to send in complete reports of the fur trade, Joshua Pilcher reported from St. Louis, December 1, 1831:

> About this time [1823] the American Fur Company had turned their attention to the Missouri trade, and, as might have been expected, soon put an end to all opposition. Backed, as it was, by any amount of capital, and with skillful agents to conduct its affairs at *every point,* it succeeded by the year 1827, in monopolizing the trade of the Indians on the Missouri, and I have but little doubt will continue to do so for years to come, as it would be rather a hazardous business for small adventurers to rise in opposition to it.[5]

In that wild country where the Government, at best, had an insufficient force of troops, and where the agents of the company went heavily armed, it was distinctly recognized, and accepted as a fact, that no possible competitor's men, or individual trader, dare intrude. To do it was to invite the severest reprisals, not stopping short of outright murder. The American Fur Company overawed and dominated everything; it defied the Government's representatives and acknowledged no authority superior to itself and no law other than what its own interests demanded. The exploitation that ensued was one of the most deliberate, cruel and appalling that has ever taken place in any country.

THE DEBAUCHING OF INDIANS

In justice to Astor it should be here pointed out that it was not his American Fur Company which introduced the system of debauching Indians with liquor. More than a century before his time, the Hudson Bay Company, chartered in 1670, and operating in western Canada, had long and regularly pursued that system. So had the French fur companies in Eastern Canada. Likewise the English traders in the American colonies. But in the French and Indian War, the horrors ensuing from deliberately foisting liquor upon the Indians, brought even to distant governing officials a realization that the practice had to be stopped. The British Board of Trade, a Governmental agency having power over trading matters, prohibited in colonial America the debauching of Indians with liquor. Regulations were evaded, however.

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[5] Document No. 90, U. S. Senate, First Session, 22d Congress, ii:30.

After the formation of the American Government, the concept became fixed in morals and law that such treatment of the Indians was indefensible. And it was the violation of this established principle that made the enormities all the greater. The standards and laws of Astor's time were markedly different from those of former eras.

If there was any one serious crime at that time it was the supplying of the Indians with liquor. The Government fully recognized the baneful effects of debauching the Indians, and enacted strict laws with drastic penalties. Astor's company brazenly violated this law, as well as all other laws conflicting with its profit interests. It smuggled in prodigious quantities of whisky. The trader's ancient trick of getting the Indians drunk and then swindling them of their furs and land was carried on by Astor on an unprecedented scale. To say that Astor knew nothing of what his agents were doing is a palliation not worthy of consideration; he was a man who knew and attended to even the pettiest details of his varied business. Moreover, the liquor was despatched by his orders direct by ship to New Orleans and thence up the Mississippi to St. Louis and to other frontier points. The horrible effects of this traffic and the consequent spoliation were set forth by a number of Government officers.

Col. J. Snelling, commanding the garrison at Detroit, sent an indignant protest to James Barbour, Secretary of War, under date of August 23, 1825. "He who has the most whisky, generally carries off the most furs," wrote Col. Snelling, and then continued:

> The neighborhood of the trading houses where whisky is sold, presents a disgusting scene of drunkenness, debauchery and misery; it is the fruitful source of all our difficulties, and of nearly all the murders committed in the Indian country. . . . For the accommodation of my family I have taken a house three miles from town, and in passing to and from it, I have daily opportunities of seeing the road strewed with the bodies of men, women and children, in the last stages of brutal intoxication. It is true there are laws in this territory to restrain the sale of whisky, but they are not regarded. . . . "[6]

Col. Snelling added that during that year there had been delivered by contract to an agent of the North American Fur Company, at Mackinac (he meant the American Fur Company which, as we have seen, had one of its principal headquarters at that post and maintained a monopoly there), 3,300 gallons of whisky and 2,500 gallons of high wines. This later liquor was preferred by the agents, he pointed out, as it could be "increased at pleasure." Col. Snelling went on: "I will venture to add that an inquiry into the manner in which the Indian trade is conducted, especially by the North American Fur Company, is a matter of no small importance to the tranquillity of the borders." [7]

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[6] Document No. 58, U. S. Senate Docs. First Session, 19th Congress: 7-8.

[7] Ibid. That the debauching of the Indians was long continuing was fully evidenced by the numerous communications sent in by Government representatives The following is an extract from a letter written on October 6, 1821, by the U. S

VIOLATION OF LAWS

A similar report was made the next winter by Thomas L. McKenney, Superintendent of Indian Affairs, to the Secretary of War. In a communication dated Feb. 14, 1826, McKenney wrote that "the forbidden and destructive article, whisky, is considered so essential to a lucrative commerce, as not only to still those feelings [of repugnance] but lead the traders to brave the most imminent hazards, and evade, by various methods the threatened penalties of law." The superintendent proceeded to tell of the recent seizure by General Tipton, Indian Agent at Fort Wayne, of an outfit in transit containing a considerable supply of whisky, which was owned in large part, he says, by the American Fur Company. He then continued: "The trader with the whisky, it must be admitted, is certain of getting the most furs. . . . There are many honorable and high-minded citizens in this trade, but expediency overcomes their objections and reconciles them for the sake of the profits of the trade."[8]

In stating this fact, McKenney was unwittingly enunciating a profound truth, the force of which mankind is only now beginning to realize, that the pursuit of profit will transform natures inherently capable of much good into sordid, cruel breasts of prey, and accustom them to committing actions so despicable, so inhuman, that they would be terrified, were it not that the world is under the sway of the profit system and not merely excuses and condones, but justifies and throws a glamour about, the unutterable degradations and crimes which the profit system calls forth.

Living in a more advanced time, in an environment adjusted to bring out the best, instead of the worst, Astor and his henchmen might have been men of supreme goodness and gentleness. As it was, they lived at a period when it was considered the highest, most astute and successful form of trade to resort to any means, however base, to secure profits. Let not too much ignominy be cast upon their memories; they were but creatures of their time; and their time was not that "golden age," so foolishly pictured, but a wild, tempestuous, contending struggle in which every man was at the throat of his fellow man, and in a vortex which statesmen, college professors, editors, political economists, all praised and sanctified as "progressive civilization."

Like all other propertied interests, Astor's company regarded the law as a thing to be rigorously invoked against the poor, the helpless and defenseless, but as not to be considered when it stood in the way of the claims, designs and pretensions of property. Superintendent McKenney

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Indian Agent at Green Bay to the Superintendent of Indian Affairs (or Indian Trade): "Mr. Kinzie, son to the sub Indian Agent at Chicago, *and agent for the American Fur Company,* has been detected in selling large quantities of whisky to the Indians at and near Milwaukee of Lake Michigan."—Senate Docs., First Session, Seventeenth Congress, 1821-22, Vol. I, Doc. No. 60:54.

[8] Doc. No. 58:10.

reported that all laws in the Indian country were inoperative—so much dead matter. Andrew S. Hughes, reporting from St. Louis, Oct. 31, 1831, to Lewis Cass, Secretary of War, wrote:

> . . . The traders that occupy the largest and most important space in the Indian country are the agents and engagees of the American Fur Trade Company. They entertain, as I know to be the fact, no sort of respect for our citizens, agents, officers of the Government, or its laws or general policy.

After describing the "baneful influence of these persons," Hughes went on:

> The capital employed in the Indian trade must be very large, especially that portion which is employed in the annual purchase of whisky and alcohol into the Indian country for the purpose of trade with the Indians. It is not believed that the superintendent is ever applied to for a permit for the one-hundredth gallon that is taken into the Indian country. The whisky is sold to the Indians in the face of the [Government] agents. Indians are made drunk, and, of course, behave badly. . . .

PROFIT AND ITS RESULTS

Not only, however, were the Indians made drunk with the express purpose of befuddling and swindling them,[9] but in the very commission of this act, an enormous profit was made on the sale of the whisky. Those who may be inclined to recoil with horror at the historic contemplation of this atrocity, will do well to remember that this was simply one manifestation of the methods of the trading class. Hughes continued:

> I am informed that there is but little doubt, but a clear gain of more than fifty thousand dollars has been made this year on the sale of whisky to the Indians on the river Missouri; the *prices are from $25 to $50 a gallon*. Major Morgan, United States sutler at Cantonment Leavenworth, says that thousands of gallons of alcohol have passed that post during the present year, destined for the Indian country.[10]

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[9] Of this fact there can be no doubt. Writing on February 27, 1822, to Senator Henry Johnson, chairman of the U. S. Senate Committee on Indian Affairs, Superintendent McKenney said: " . . . The Indians, it is admitted, are good judges of the articles in which they deal, and, generally when they are permitted to be sober, they can detect attempts to practise fraud upon them. The traders knowing this (however, few of the Indians are permitted to trade without a previous preparation in the way of liquor) would not be so apt to demand exorbitant prices. . . . This may be illustrated by the fact, as reported to this office by Matthew Irwin, that previous to the establishment of the Green Bay factory [agency] as much as one dollar and fifty cents had been demanded by the traders of the Indians, and received, for a brass thimble, and eighteen dollars for one pound of tobacco!"—U. S. Senate Docs., First Session, Seventeenth Congress, 1821-22, Vol. I, Document No. 60:40.

[10] Document No. 90, U. S. Senate Docs., First Session, 22d Congress, ii:23-24.

These official reports were supplemented by another on the same subject from William M. Gordon to General William Clark, at that time Superintendent of Indian Affairs. In his report, Gordon, writing from St. Louis, pointed out that, "whisky, though not an authorized article, has been a principal, and I believe a very lucrative one for the last several years." [11]

What a climax of trading methods, first to debauch the Indians systematically in order to swindle them, and then make a large revenue on the rum that enabled the company to do it! Undoubtedly it was by these means that Astor became possessed of large tracts of land in Wisconsin and elsewhere in the West. But the methods thus far enumerated were but the precursors of others. When the Indians were made maudlin drunk and bargained with for their furs, were they paid in money? By no means. The American Fur Company had another trick in reserve. Astor employed the cunning expedient of exchanging merchandise for furs. Large quantities of goods, especially woolens, made by underpaid adult and child labor in England and America, were regularly shipped by him to the West. For these goods the Indians were charged one-half again or more what each article cost after paying all expenses of transportation.[12] Reporting from St. Louis, Oct. 24, 1831, in a communication to the Secretary of War, Thomas Forsyth gave a description of this phase of the American Fur Company's dealings. He said:

> In the autumn of every year [when the hunting season began] the trader carefully avoids giving credit to the Indians on many costly articles such as silver works, wampum, scarlet cloth, fine bridles, etc., etc., as also a few woolens, such as blankets, shrouds, etc., unless it be to an Indian whom he knows will pay all his debts. In that case he will allow the Indian, on credit, everything he wishes.
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> Traders always prefer giving credit on gunpowder, flints, lead, knives, tomahawks, hoes, domestic cottons, etc.; which they do *at the rate of* 300 *or* 400 *per cent*, and if one-fourth of the price of these articles be paid, he is amply remunerated.[13]

Nor were these the final injustices and infamies heaped upon the untutored aborigines. It was not enough that they should be pillaged of their possessions; that the rights guaranteed them by the solemn treaties of Government should be blown aside like so much waste paper by the armed force of the American Fur Company; that whole tribes should be demoralized with rum and then defrauded; that shoddy merchandise, for which generally no market could be found elsewhere, should be imposed upon them at such incredibly high prices, that they were bound to be beggared.[14] These methods were not enough. Never were human beings so frightfully exploited as these ignorant, unsophisticated savages of the West. Through the long winters they roamed the forests and the prairies, and assiduously hunted for furs which eventually were to clothe and adorn the aristocracy of America, Europe and Asia. When in the spring they came in with their spoil, they were, with masterly cunning, artfully made intoxicated and then robbed. Not merely robbed in being charged ruinous prices for merchandise, but robbed additionally in the weight of their furs. Forsyth relates that for every dollar in merchandise that the Astor company exchanged for furs, the company received $1.25 or $1.50 in fur values, undoubtedly by the trader's low trick of short weighing.

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[11] Ibid: 54.

[12] For a white 3 point blanket which cost $4.00 they were charged $10; for a beaver trap costing $2.50, the charge was $8; for a rifle costing $11 they had to pay $30; a brass kettle which Astor could buy at 48 cents a pound, he charged the Indians $30; powder cost him 20 cents a pound; he sold it for $4 a pound; he bought tobacco for 10 cents a pound and sold it at the rate of five small twists for $6, etc., etc., etc.

[13] Document No. 90: 72.

A LONG RECORD OF VIOLENCE

In law the Indian was supposed to have certain rights, but Astor's company not only ignored, but flouted them. Now when the Indians complained, what happened? Did the Government protect them? The Government, and especially the courts, were quick and generous in affording the greatest protection and the widest latitude to Astor's company. But when the Indians resented the robberies and injustices to which they were subjected beyond bearing, they were murdered. They were murdered wantonly and in cold blood; and then urgent alarmist representations would be sent to Washington that the Indians were in a rebellious state, whereupon troops would be hurried forth to put them down in slaughter. In turn, goaded by an intense spirit of revenge, the Indians would resort to primitive force and waylay, rob and murder the white agents and traders.[15]

From 1815 to 1831 more than 150 traders were robbed and killed by Indians.[16] Many of these were Astor's men. But how many Indians were killed by the whites has never been known, nor apparently was there any solicitude as to whether the number was great or small.

What did Astor pay his men for engaging in this degrading and dangerous business? Is it not a terrifying commentary on the lengths to which men are forced to go in quest of a livelihood, and the benumbing effects on their sensiblities, that Astor should find a host of men ready to seduce the Indians into a state of drunkenness, cheat and rob them, and all this only to get robbed and perhaps murdered in turn? For ten or eleven months in the year Astor's subaltern men toiled arduously through forest and plain, risking sickness, the dangers of the wilderness and sudden death. They did not rob because it benefited them; it was what they were paid to do; and it was likewise expected of them that they should look upon the imminent chances of death as a part of their contract.

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[14] Many of the tribes, the Government reports show, not only yielded up to Astor's company the whole of their furs, but were deeply in debt to the company. In 1829 the Winnebagoes, Sacs and Foxes owed Farnham & Davenport, agents for the American Fur Company among those tribes, $40,000; by 1831 the debts had risen to $50,000 or $60,000. The Pawnees owed fully as much and the Cherokees, Chickasaws, Sioux and other tribes were heavily in debt.—Doc. No. 90:72.

[15] Forsyth admitted that in practically all of these murders the whites were to blame.—Doc. No. 90:76.

[16] Doc. No. 90.—This is but a partial list. The full list of the murdered whites the Government was unable to get.

For all this what was their pay? It was the trifling sum of $130 for the ten or eleven months. But this was not paid in money. The hirelings who gave up their labor, and often their health and lives, for Astor were themselves robbed, or their heirs, if they had any. Payment was nearly always made in merchandise, which was sold at exorbitant prices. Everything that they needed they had to buy at Astor's stores; by the time that they had bought a year's supplies they not only had nothing coming to them, but they were often actually in debt to Astor.

But Astor—how did he fare? His profits from the fur trade of the West were truly stupendous for that period. He, himself, might plead to the Government that the company was in a decaying state of poverty. These pleas deceived no one. It was characteristic of his habitual deceit that he should petition the Government for a duty on foreign furs on the ground that the company was being competed with in the American markets by the British fur companies. At this very time Astor held a virtual monopoly of fur trading in the United States. One need not be surprised at the grounds of such a plea. Throughout the whole history of the trading class, this pathetic and absurdly false plea of poverty has incessantly been used by this class, and used successfully, to get further concessions and privileges from a Government which reflected, and represented, its interests. Curiously, enough, however, if a mendicant used the same plea in begging a mite of alms on the streets, the law has invariably regarded him as a vagrant to be committed to the Workhouse.

ASTOR'S ENORMOUS PROFITS

At about the identical time that John Jacob Astor was persistently complaining that the company was making no money, his own son and partner, William B. Astor, was writing from New York on Nov. 25, 1831, to the Secretary of War, that the company had a capital of about $1,000,000 and that, "You may, however, estimate our annual returns at half a million dollars." [17] Not less than $500,000 annual revenues on a capital of $1,000,000! These were inconceivably large returns for the time; Thomas J. Dougherty, Indian Agent at Camp Leavenworth, estimated that from 1815 to 1830 the fur trade on the Missouri and its waters had yielded returns amounting to $3,330,000 with a clear profit of $1,650,000. This was unquestionably a considerable underestimate.

[17] Document No. 90:77.

It is hardly necessary to say that Astor, as the responsible head and beneficiary of the American Fur Company, was never prosecuted for the numerous violations of both penal and civil laws invariably committed by his direction and for his benefit. With the millions that rolled in, he was not only able to command the services of the foremost lawyers in warding off the penalties of law, but to have as his paid retainers some of the most noted and powerful politicians of the day.[18] Senator Benton, of Missouri, a leading light in the Democratic party, was not only his legal representative in the West and fought his cases for him, but as United States Senator introduced in Congress measures which Astor practically drafted and the purport of which was to benefit Astor and Astor alone. Thus was witnessed a notorious violator of the law, invoking aid of the law to enrich himself still further—a condition which need not arouse exceptional criticism, since the whole trading class in general did precisely the same thing.

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[18] Some of the original ledgers of the American Fur Company were put on exhibition at Anderson's auction rooms in New York city in March, 1909. One entry showed that $35,000 had been paid to Lewis Cass for services not stated. Doubtless, Astor had the best of reasons for not explaining that payment; Cass was, or had been, the Governor of Michigan Territory, and he became the identical Secretary of War to whom so many complaints of the crimes of Astor's American Fur Company were made.

The author personally inspected these ledgers. The following are some extracts from a news account in the New York "Times," issue of March 7, 1909, of the exhibition of the ledgers:

"They cover the business of the Northern Department from 1817 to 1835, and consist of six folio volumes of about 1,000 pages each, in two stout traveling cases, fitted with compartments, lock and key. It is said that these books were missing for nearly seventy-five years, and recently escaped destruction by the merest accident.

"The first entry is April 1, 1817. There are two columns, one for British and the other for American money. An entry, May 3, 1817, shows that Lewis Cass, then Governor of Michigan Territory and afterward Democratic candidate for the Presidency against Gen. Zachary Taylor, the successful Whig candidate, took about $35,000 of the Astor money from Montreal to Detroit, in consideration of something which is not set down."

Chapter III

THE GROWTH OF THE ASTOR FORTUNE

WHILE at the outposts, and in the depths, of the Western wilderness an armed host was working and cheating for Astor, and, in turn, being cheated by their employer; while, for Astor's gain, they were violating all laws, debauching, demoralizing and beggaring entire tribes of Indians, slaying and often being themselves slain in retaliation, what was the beneficiary of this orgy of crime and bloodshed doing in New York?

For a long time he lived at No. 223 Broadway in a large double house, flanked by an imposing open piazza supported by pillars and arches. In this house he combined the style of the ascending capitalist with the fittings and trappings of the tradesman. It was at once residence, office and salesroom. On the ground floor was his store, loaded with furs; and here one of his sons and his chief heir, William B., could be seen, as a lad, assiduously beating the furs to keep out moths. Astor's disposition was phlegmatic and his habits were extremely simple and methodical. He had dinner regularly at three o'clock, after which he would limit himself to three games of checkers and a glass of beer. Most of his long day was taken up with close attention to his many business interests, of which no detail escaped him. However execrated he might be in the Indian territories far in the West, he assumed, and somewhat succeeded in being credited with, the character of a patriotic, respectable and astute man of business in New York.

ASTOR SUPERIOR TO LAW

During (taking a wide survey) the same series of years that he was directing gross violations of explicit laws in the fur-producing regions—laws upon the observance of which depended the very safety of the life of men, women and children, white and red, and which laws were vested with an importance corresponding with the baneful and bloody results of their infraction—Astor was turning other laws to his distinct advantage in the East. Pillaging in the West the rightful and legal domain, and the possessions, of a dozen Indian tribes, he, in the East, was causing public money to be turned over to his private treasury and using it as personal capital in his shipping enterprises.

As applied to the business and landowning class, law was notoriously a flexible, convenient, and highly adaptable function. By either the tacit permission or connivance of Government, this class was virtually, in most instances, its own law-regulator. It could consistently, and without being seriously interfered with, violate such laws as suited its interests, while calling for the enactment or enforcement of other laws which favored its designs and enhanced its profits. We see Astor ruthlessly brushing aside, like so many annoying encumbrances, even those very laws which were commonly held indispensable to a modicum of fair treatment of the Indians and to the preservation of human life. These laws happened to conflict with the amassing of profits; and always in a civilization ruled by the trading class, laws which do this are either unceremoniously trampled upon, evaded or repealed.

For all the long-continued violations of law in the West, and for the horrors which resulted from his exploitation of the Indians, was Astor ever prosecuted? To repeat, no; nor was he disturbed even by such a triviality as a formal summons. Yet, to realize the full enormity of acts for which he was responsible, and the complete measure of immunity that he enjoyed, it is necessary to recall that at the time the Government had already begun to assume the rôle of looking upon the Indians as its wards, and thus of theoretically extending to them the shield of its especial protection.

LAW BREAKERS AND LAW MAKERS

But when it came to laws which, in the remotest degree, could be used or manipulated to swell profits or to buttress property, Astor and his class were untiring and vociferous in demanding their strict enforcement. Successfully ignoring or circumventing laws objectionable to them, they, at the same time, insisted upon the passage and exact construction and severe enforcement of laws which were adjusted to their interests. Law breakers, on the one hand, they were law makers on the other. They caused to be put into statutes, and intensified by judicial precedent, the most rigorous laws in favor of property rights. They virtually had the extraordinary power of choosing what laws they should observe and what they should not. This choice was invariably at the expense of the working class. Law, that much-sanctified product, was really law only when applied to the property-less. It confronted the poor at every step, was executed with summary promptitude and filled the prisons with them. Poverty had no choice in saying what laws it should obey and what it should not. It, perforce, had to obey or go to prison; either one or the other, for the laws were expressly drafted to bear heavily upon it.

It is illustrative, in the highest degree, of the character of Government ruled by commercial interests, that Astor was allowed to pillage and plunder, cheat, rob and (by proxy) slaughter in the West, while, in the East, that same Government extended to him, as well as to other shippers, the free use of money which came from the taxation of the whole people—a taxation always weighted upon the shoulders of the worker. In turn, this favored class, either consciously or unconsciously, voluntarily or involuntarily, cheated the Government of nearly half of the sums advanced. From the foundation of the Government up to 1837, there were nine distinct commercial crises which brought about terrible hardships to the wage workers. Did the Government step in and assist them? At no time. But during all those years the Government was busy in letting the shippers dig into the public funds and in being extremely generous to them when they failed to pay up. From 1789 to 1823 the Government lost more than $250,000,000 in duties,[1] all of which sum represented what the shippers owed and did not, or could not, pay. And no criminal proceedings were brought against any of these defaulters.

This, however, was not all that the Government did for the favored, pampered class that it represented. Laws were severe against labor-union strikes, which were frequently judicially adjudged conspiracies. Theoretically, law inhibited monopoly, but monopolies existed, because law ceases to be effective law when it is not enforced; and the propertied interests took care that it was not enforced. Their own class was powerful in every branch of Government. Furthermore, they had the money to buy political subserviency and legal dexterity.

ASTOR'S MONOPOLIES

Astor profited richly from his monopolies. His monopoly of furs in the West was made a basis for the creation of other monopolies. China was a voracious and highly profitable market for furs. In exchange for the cargoes of these that he sent there, his ships would be loaded with teas and silks. These products he sold at exorbitant prices in New York. His profits from a single voyage sometimes reached $70,000; the average profits from a single voyage were $30,000. During the War of 1812-15 tea rose to double its usual price. Astor was invariably lucky in that his ships escaped capture. At one period he was about the only merchant who had a cargo of tea in the market. He exacted, and was allowed to exact, his own price.

Meanwhile, Astor was setting about making himself the richest and largest landowner in the country. His were not the most extensive land possessions in point of extent but in regard to value. He aimed at being a great city, not a great rural, landlord. It was estimated that his trade in furs and associated commerce brought him a clear annual revenue of about two million dollars. This estimate was palpably inadequate. Not only did he reap enormous profits from the fur trade, but also from banking privileges in which he was a conspicuous factor.

It was on one of his visits to London, so the recital goes, that he first became possessed of the idea of founding an extraordinarily rich landed family. He admired, it is told, the great landed estates of the British nobility, and observed the prejudice against the caste of the trader and the corresponding exalted position of the landowner. Whether this story is true or not, it is evident that he was impressed with the increasing power and the stability of a fortune founded upon land, and how it radiated a certain splendid prestige. The very definition of the word landlord—lord of the soil—signified the awe-compelling and authoritative position of him who owned land—a definition heightened and enforced in a thousand ways by the laws.

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[1] Doc. No. 13, State Papers, Second Session, 18th Congress, Vol. ii.

The speculative and solid possibilities of New York City real estate held out dazzling opportunities to gratify his acquisitiveness for wealth and power—the wealth that fed his avarice, and the power flowing from the dominion of riches.

ASTOR NOT AN EXCEPTION

It may here be observed that Astor's methods in trade or in acquiring land need not be indiscriminately condemned as an exclusive mania. Nor should they be held up to the curiosity of posterity as a singular and pernicious exhibition, detached from his time and generation, and independent of them. Again and again the facts disclose that men such as he were merely the representative crests of prevailing commercial and political life. Substantially the whole propertied class obtained its wealth by methods which, if not the same, had a strong relationship. His methods differed nowise from those of many cotton planters of the South who stole, on a monstrous scale,[2] Government land and then with the wealth derived from their thefts, bought Negro slaves, set themselves up in the glamour of a patriarchal aristocracy and paraded a florid display of chivalry and honor. And it was this same grandiose class that plundered Whitney of the fruits of his invention of the cotton-gin and shamelessly defrauded him.[3]

[2] "Stole on a monstrous scale." The land frauds, by which many of the Southern planters obtained estates in Louisiana, Mississippi and other States were a national scandal. Benjamin F. Linton, United States Attorney for Western Louisiana, reported to President Andrew Jackson on August 27, 1835, that in seizing possession of Government land in that region "the most shameful frauds, impositions and perjuries had been committed in Louisiana." Sent to investigate, V. M. Garesche, an agent of the Government Land Office, complained that he could get no one to testify. "Is it surprising," he wrote to the Secretary of the Treasury, "when you consider that those engaged in this business belong to every class of society from the member of the Legislature (if I am informed correctly) down to the quarter quarter-section settler!" Up to that time the Government held title to immense tracts of land in the South and had thrown it open to settlers. Few of these were able to get it, however. Southern plantation men and Northern capitalists and speculators obtained possession by fraud. "A large company," Garesche reported, "was formed in New York for the purpose, and have an agent who is continually scouring the country." The final report was a whitewashing one; hence, none of the frauds was sent to jail.—Doc. No. 168, Twenty-fourth Congress, 2d Session, ii: 4-25, also Doc. No. 213, Ibid.

[3] "America," admits Houghton, "never presented a more shameful spectacle than was exhibited when the courts of the cotton-growing regions united with the piratical infringers of Whitney's rights in robbing their greatest benefactor. . . . In spite of the far-reaching benefits of his invention, he had not realized one dollar above his expenses. He had given millions upon millions of dollars to the cotton-growing States, he had opened the way for the establishment of the vast cotton-

Far more flagrant, however, were the means by which other Southern plantation owners and business firms secured landed estates in Alabama, Georgia and in other States. Their methods in expropriating the reservations of such Indian tribes as the Creeks and Chickasaws were not less fraudulent than those that Astor used elsewhere. They too, those fine Southern aristocrats, debauched Indian tribes with whisky, and, after swindling them of their land, caused the Government to remove them westward. The frauds were so extensive, and the circumstances so repellent, that President Andrew Jackson, in 1833, ordered an investigation. From the records of this investigation—four hundred and twenty-five solid pages of official correspondence—more than enough details can be obtained.[4]

WHERE WAS FRAUD ABSENT?

In Wisconsin the most valuable Government lands containing rich deposits of lead and other mineral ore, were being boldly appropriated by force and fraud. The House Committee on Public Lands reported on December 18, 1840, that with the connivance of local land agents, these lands, since 1835, had been sold at private sale before they were even subject to public entry.[5] "In consequence of which," the Committee

spinning interests of his own country and Europe, and yet, after fourteen years of hard labor, he was a poor man, the victim of wealthy, powerful, and, in his case, a dishonest class."—"Kings of Fortune":337. All other of Whitney's biographers relate likewise.

[4] See Senate Documents, First Session, 24th Congress, 1835, Vol. vi, Doc. No. 425. A few extracts from the great mass of correspondence will lucidly show the nature of the fraudulent methods. Writing from Columbus, Georgia, on July 15, 1833, Col. John Milton informed the War Department . . . "Many of them [the Indians] are almost starved, and suffer immensely for the things necessary to the support of life, and are sinking in moral degradation. They have been much corrupted by white men who live among them, who induce them to sell to as many different individuals as they can, and then cheat them out of the proceeds." . . . (p. 81.) Luther Blake wrote to the War Department from Fort Mitchell, Alabama, on September 11, 1833 . . . "Many, from motives of speculation, have bought Indian reserves fraudulently in this way—take their bonds for trifles, pay them ten or twenty dollars in something they do not want, and take their receipts for five times the amount . . . (p. 86). On February 1, 1834, J. H. Howard, of Pole-Cat Springs, Creek Nation, sent a communication, by request, to President Jackson in which he said, . . . "From my own observation, I am induced to believe that a number of reservations have been paid for at some nominal price, and the principal consideration has been whisky and homespun" . . . (p. 104). Gen. J. W. A. Sandford, sent by President Jackson to the Creek country to investigate the charges of fraud, wrote, on March 1, 1834, to the War Department ". . . It is but very recently that the Indian has been invested with an individual interest in land, and the great majority of them appear neither to appreciate its possession, nor to economize the money for which it is sold; the consequence is, that the white man rarely suffers an opportunity to pass by without swindling him out of both . . ." (p. 110).

The records show that the principal beneficiaries of these swindles were some of the most conspicuous planters, mercantile firms and politicians in the South. Frequently, they employed dummies in their operations.

[5] Reports of House Committees, Second Session, 26th Congress, 1840-41, Report No. 1.

stated, "many tracts of land known to be rich and valuable mineral lands for many years, and known to be such at the time of the entry, have been entered by evil-minded persons, who have falsely made, or procured others to make, the oath required by the land offices. Honest men have been excluded from the purchase of these lands, while the dishonest and unscrupulous have been permitted to enter them by means of false oath and fraud."[6]

These are but the merest glimpses of the widespread frauds in seizing land, whether agricultural, timber or mineral. What of the mercantile importers, the same class that the Government so greatly favored in allowing it long periods in which to pay its customs duties? It was defrauding the Government on the very importations on which it was extended long-time credit for customs payments. The few official reports available clearly indicate this. Great frauds were continuously going on in the importations of lead.[7] Large quantities of sugar were imported in the guise of molasses which, it was discovered, after being boiled a few minutes, would produce an almost equal weight in brown sugar.[8] Doubtless similar frauds were being committed in other lines of importations. Between the methods of these divisions of the capitalist class, and those of Astor, no basic difference can be discerned.

Neither was there any essential difference between Astor's methods and those of the manufacturing capitalists of the North who remorselessly robbed Charles Goodyear of the benefits of his discovery of vulcanized rubber and who drove him, after protracted litigation, into insolvency, and caused him to die loaded down with worries and debts, a broken-down man, at the age of 60.[9] As for that pretentious body of gentry who professed to spread enlightenment and who set themselves high and solemnly on a pinnacle as dispensers of knowledge and molders of public opinion—the book, periodical and newspaper publishers—their methods at bottom were as fraudulent as any that Astor ever used. They mercilessly robbed and knew it, while making the most hypocritical professions of lofty motives. Buried deep in the dusty archives of the United States Senate is a petition whereon appear the signatures of Moore, Carlyle, the two Disraelis, Milman, Hallam, Southey, Thomas Campbell, Sir Charles Lyell, Bulwer Lytton, Samuel Rogers, Maria Edgeworth, Harriet Martineau and other British literary luminaries, great or small. In this petition these authors, some of them representing the highest and finest in literary, philosophical, historical, and scientific thought and expression, implore Congress to afford them protection against the indiscriminate theft of their works by American booksellers.

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[6] Ibid., 1 and 2.

[7] Executive Documents, First Session, 23rd Congress, 1833-34, Doc. No. 132.

[8] Senate Documents, First Session, 22nd Congress, 1931-33, Vol. iii, Doc. No. 19.

[9] "No inventor," reported the United States Commissioner of Patents in 1858, "probably has ever been so harassed, so trampled upon, so plundered by that sordid and licentious class of infringers known in the parlance of the world, with no exaggeration of phrase, as 'pirates.' The spoliation of their incessant guerrilla upon his defenseless rights have unquestionably amounted to millions."

Their works, they set forth, are not only appropriated without their consent but even contrary to their expressed desire. And there is no redress. Their productions are mutilated and altered, yet their names are retained. They instance the pathetic case of Sir Walter Scott. His works have been published and sold from Maine to the Gulf of Mexico, yet not a cent has he received. "An equitable remuneration," they set forth, "might have saved his life, and would, at least have relieved his closing years from the burdens of debts and destructive toils." [10]

How fares this petition read in the United States Senate on February 2, 1837? The booksellers, magazine, periodical and newspaper publishers have before succeeded in defeating one copyright bill. They now bestir themselves again; the United States Senate consigns the petition to the archives and the piracy goes on as industriously as ever.

LEGALIZED PIRACY IN ALL BRANCHES OF TRADE

What else could be expected from a Congress which represented the commercial and land-holding classes? No prodding was needed to cause it to give the fullest protection to possessions in commerce, land and Negro slaves; these were concrete property. But thought was not capitalized; it was not a manufactured product like iron or soap. Nothing can express the pitying contempt or the lofty air of patronage with which the dominant commercial classes looked down upon the writer, the painter, the musician, the philosopher or the sculptor. Regarding these "sentimentalists" as easy, legitimate and defenseless objects of prey, and as incidental and impractical hangers-on in a world where trade was all in all, the commercial classes at all times affected a certain air of encouragement of the fine arts, which encouragement, however, never attempted to put a stop to piracies of publication or reproduction. How sordidly commercial that era was, to what extremes its standards went, and how some of the basest forms of theft were carried on and practically legalized, may be seen by the fate of Peter Cardelli's petition to Congress. Cardelli was a Roman sculptor, residing in the United States for a time. He prays Congress in 1820 to pass an act protecting him from commercial pirates who make casts and copies of his work and who profit at his expense. The Senate Committee on Judiciary, to whom the petition is referred, rejects the plea. On what ground? Because he "has not discovered any new invention on which he can claim the right." [11] Could stupidity go further?

All of the confluent facts of the time show conclusively that every stratum of commercial society was permeated with fraud, and that this fraud was accepted generally as a routine fixture of the business of gathering property or profits. Astor, therefore, was not an isolated phenomenon, but a typically successful representative of his time and of the methods and standards of the trading class of that time.

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[10] Doc. No. 134, Twenty-fourth Congress, 2d Session. Vol. ii.

[11] Doc. 129, State Papers, 1819-21, Vol. ii.

Whatever in the line of business yielded profits, that act, whether cheating, robbing or slaughtering, was justified by some sophistry or other. Astor did not debauch, spoliate, and incite slaughter because he took pleasure in doing them. Perhaps—to extend charitable judgment—he would have preferred to avoid them. But they were all part of the formulated necessities of business which largely decreed that the exercise of humane and ethical considerations was incompatible with the zealous pursuit of wealth.

In the wilderness of the West, Astor, operating through his agents, could debauch, rob and slay Indians with impunity. As he was virtually the governing body there, without fear of being hindered, he thus could act in the most high-handed, arbitrary and forcible ways. In the East, however, where law, or the forms of law, prevailed, he had to have recourse to methods which bore no open trace of the brutal and sanguinary. He had to become the insidious and devious schemer, acting through sharp lawyers instead of by an armed force. Hence in his Eastern operations he made deception a science and used every instrument of cunning at his command. The result was precisely the same as in the West, except that the consequences were not so overt, and the perpetration could not be so easily distinguished. In the West, death marched step by step with Astor's accumulating fortune; so did it in the East, but it was not open and bloody as in the fur country. The mortality thus accompanying Astor's progress in New York was of that slow and indefinite, but more lingering and agonizing, kind ensuing from want, destitution, disease and starvation.

Astor's supreme craft was at no time better shown than by the means by which he acquired possession of an immense estate in Putnam County, New York. During the Revolution, a tract consisting of 51,012 acres held by Roger Morris and Mary his wife, Tories, had been confiscated by New York State. This land, it is worth recalling, was part of the estate of Adolphus Phillips, the son of Frederick who, as has been set forth, financed and protected the pirate Captain Samuel Burgess in his buccaneer expeditions, and whose share of the Burgess' booty was extremely large.[12] Mary Morris was a descendant of Adolphus Phillips and came into that part of the property by inheritance. The Morris estate comprised nearly one-third of Putnam County. After confiscation, the State sold the area in parts to various farmers. By 1809, seven hundred families were settled on the property, and not a shadow of a doubt had ever been cast on their title. They had long regarded it as secure, especially as it was guaranteed by the State.

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[12] See Part I, Chapter II.

A NOTED LAND TRANSACTION

In 1809 a browsing lawyer informed Astor that those seven hundred families had no legal title whatever; that the State had had no legal right to confiscate the Morris property, inasmuch as the Morrises held a life lease only, and no State could ever confiscate a life lease. The property, Astor was informed, was really owned by the children of the Morris couple, to whom it was to revert after the lease of their parents was extinguished. Legally, he was told, they were as much the owners as ever. Astor satisfied himself that this point would hold in the courts. Then he assiduously hunted up the heirs, and, by a series of strategic maneuvers worthy of the pen of a Balzac, succeeded in buying their claim for $100,000.

In the thirty-three years which had elapsed since confiscation, the land had been greatly improved. Suddenly came a notification to these unsuspecting farmers that not they, but Astor, owned the land. All the improvements that they had made, all the accumulated standing products of the thirty-three years' labor of the occupants, he claimed as his, by virtue of the fact that, in law, they were trespassers. Dumbfounded, they called upon him to prove his claim. Whereupon his lawyers, men saturated with the terminology and intricacies of legal lore, came forward and gravely explained that the law said so and so and was such and such and that the law was incontestible in support of Astor's claim. The hard-working farmers listened with mystification and consternation. They could not make out how land which they or their fathers had paid for, and which they had tilled and improved, could belong to an absentee who had never turned a spade on it, had never seen it, all simply because he had the advantage of a legal technicality and a document emblazoned with a seal or two.

THE PUBLIC UPROAR OVER ASTOR'S CLAIM

They appealed to the Legislature. This body, influenced by the public uproar over the transaction, refused to recognize Astor's title. The whole State was aroused to a pitch of indignation. Astor's claim was generally regarded as an audacious piece of injustice and robbery. He contended that he was not subject to the provision of the statute directing sales of confiscated estates which provided that tenants could not be dispossessed without being paid for improvements. In fine, he claimed the right to evict the entire seven hundred families without being under the legal or moral necessity of paying them a single cent for their improvements. In the state of public temper, the officials of the State of New York decided to fight his claim. Astor offered to sell his claim to the State for $667,000. But such was the public outburst at the effrontery of a man who had bought what was virtually an extinct claim for $100,000, and then attempting to hold up the State for more than six times that sum, that the Legislature dared not consent.

The contention went to the courts and there dragged along for many years. Astor, however, won his point; it was decided that he had a valid title. Finally in 1827 the Legislature allowed itself [13] to compromise, although public opinion was as bitter as ever. The State gave Astor $500,000 in five per cent stock, specially issued, in surrender of his claim.[14] Thus were the whole people taxed to buy, at an exorbitant price, the claim of a man who had got it by artifice and whose estate eventually applied the interest and principal of that stock to buying land in New York City. Thus also can a considerable part of the Astor fortune be traced to Adolphus Phillips, son of Frederick, the partner, protector and chief spoilsharer of Captain Burgess, sea pirate, and whose estate, the Phillips manor, had been obtained by bribing Fletcher, the royal governor.

But while Astor gradually appropriated vast tracts of land in Wisconsin, Missouri, Iowa and other parts of the West, and levied his toll on one-third of Putnam County, it was in New York City that he concentrated the great bulk of his real estate speculations. To buy steadily on the scale that he did required a constant revenue. This revenue, as we have seen, came from his fur-trading methods and activities and the profits and privileges of his shipping. But there were factors. One of these was the banking privilege—a privilege so ordained by law that it was one of the most powerful and insidious suctions for sapping the wealth created by the toil of the producers, and for enriching its owners at a most appalling sacrifice to the working and agricultural classes. And above all, Astor, in common with his class, made the most valuable asset of Law, whether exploiting the violation, or the enforcement, of it.

If we are to accept the superficial, perfunctory accounts of Astor's real estate investments in New York City, then he will appear in the usual eulogistic light of a law-loving, sagacious man engaged in a legitimate enterprise. The truth, however, lies deeper than that—a truth which has been either undiscerned or glossed over by those conventional writers, who, with a panderer's instinct, give a wealth-worshipping era the thing it wants to read, not what it ought to know. Although apparently innocent and in accord with the laws and customs of the times, Astor's real estate transactions were inseparably connected with consecutive evasions, trickeries, frauds and violations of law. Extraordinarily favorable as the law was to the propertied classes, even that law was constantly broken by the very classes to whom it was so partial.

Simultaneously, while reaping large revenues from his fur trade among the Indians in both the East and West, Astor was employing a different kind of fraud in using the powers of city and State government in New York in obtaining, for practically nothing, enormously valuable grants of land and other rights and privileges which added to the sum total of his growing wealth.

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[13] "Allowed itself." The various New York legislatures from the end of the eighteenth century on were hotbeds of corruption. Time after time members were bribed to pass bills granting charters for corporations or other special privileges. (See the numerous specific instances cited in the author's "History of Tammany Hall," and subsequently in this work.) The Legislature of 1827 was notoriously corrupt.

[14] Journal of the [New York] Senate, 1815:216—Journal of the [New York] Assembly, 1818:261: Journal of the Assembly, 1819. Also "A Statement and Exposition of The Title of John Jacob Astor to the Lands Purchased by him from the surviving children of Roger Morris and Mary, his Wife; New York, 1827."

CORRUPT GRANTS OF CITY LAND

In this procedure he was but doing what a number of other contemporaries such as Peter Goelet, the Rhinelanders, the Lorillards, the Schermerhorns and other men, who then began to found powerful landed families, were doing at the same time. The methods by which these men secured large areas of land, now worth huge sums, were unquestionably fraudulent, although the definite facts are not as wholly available as are, for instance, those which related to Fletcher's granting vast estates for bribes in the seventeenth century, or the bribery which corrupted the various New York legislatures beginning in the year 1805. Nevertheless, considering the character of the governing politicians, and the scandals that ensued from the granting and sales of New York City land a century or more ago, it is reasonably certain that corrupt means were used. The student of the times cannot escape from this conclusion, particularly as it is borne out by many confirming circumstances.

New York City, at one time, owned a very large area of land which was fraudulently granted or sold to private individuals. Considerable of this granting or selling was done during the years when the corrupt Benjamin Romaine was City Controller. Romaine was so badly involved in a series of scandals arising from the grants and corrupt sales of city land, that in 1806 the Common Council, controlled by his own party, the Tammany machine, found it necessary to remove him from the office of City Controller for malfeasance.[15] The specific charge was that he had fraudulently obtained valuable city land in the heart of the city without paying for it. Something had to be done to still public criticism, and Romaine was sacrificed. But, in fact, he was far from being the only venal official concerned in the current frauds. These frauds continued no matter which party or what set of officials were in power. Several years after Romaine was removed, John Bingham, a powerful member of the Aldermanic Committee on Finance, which passed upon and approved these various land grants, was charged by public investigators with having caused the city to sell to his brother-in-law land which he later influenced the city administration to buy back at an exorbitant price. Spurred by public criticism the Common Council demanded its reconveyance.[16] It is more than evident—it is indisputable—from the records and the public scandals, that the successive city administrations were corruptly conducted. The conservative newspaper comments alone of the period indicate this clearly, if nothing else does.

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[15] MSS. Minutes of the (New York City) Common Council, xvi:239-40 and 405.

[16] Ibid., xx: 355-356.

A PROCESS OF SPOLIATION

Neither Astor nor Goelet were directly active members of the changing political cliques which controlled the affairs of the city. It is likely that they bore somewhat the same relation to these cliques that the politico-industrial magnates and financiers of to-day do; to all appearances distinctly apart from participation in politics, and yet by means of money, having a strong or commanding influence in the background. But the Rhinelander brothers, William and Frederick, were integral members of the political machine in power. Thus we find that in 1803, William Rhinelander was elected Assessor for the Fifth Ward (a highly important and sumptuary office at that time), while both he and Frederick were, at the same time, appointed inspectors of elections.[17]

The action of the city officials in disposing of city land to themselves, to political accomplices and to favorites (who, it is probable, although not a matter of proof, paid bribes) took two forms. One was the granting of land under water, the other the granting of city real estate. At that time the configuration of Manhattan Island was such that it was marked by ponds, streams and marshes, while the marginal lines of the Hudson River and the East River extended much further inland than now. When an individual got what was called a water grant, it meant land under shallow water, where he had the right to build bulk-heads and wharves and to fill in and make solid ground. Out of these water grants was created property now worth hundreds upon hundreds of millions of dollars. The value at that time was not great, but the prospective value was immense. This fact was recognized in the official reports of the day, which set forth how rapidly the city's population and commerce were increasing. As for city land as such, the city not only owned large tracts by reason of old grants and confiscations, but it constantly came into possession of more because of non-payment of taxes.

The excuses by which the city officials covered their short-sighted or fraudulent grants of the water rights and the city land were various. One was that the gifts were for the purpose of assisting religious institutions. This, however, was but an occasional excuse. The principal excuse which was persisted in for forty years was that the city needed revenue. This was a fact. The succeeding city administrations so corruptly and extravagantly squandered the city's money that the city was constantly in debt. Perhaps this debt was created for the very purpose of having a plausible ground for disposing of city land. So it was freely charged at that time.

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[17] MSS. Minutes of the Common Council, xiii: 118 and 185.

THE CITY CREATES LANDLORDS

Let us see how the religious motive worked. On June 10, 1794, the city gave to Trinity Church a water grant covering all that land from Washington street to the North River between Chambers and Reade streets. The annual rent was one shilling per running foot after the expiration of forty-two years from June 10, 1794. Thus, for forty-two years, no rent was charged. Shortly after the passage of this grant, Trinity Church conveyed it to William Rhinelander, and also all that ground between Jay and Harrison streets, from Greenwich street to the North River. By a subsequent arrangement with Trinity Church and the city, all of this land as well as certain other Trinity land became William Rhinelander's property; and then, by agreement of the Common Council on May 29, 1797, and confirmation of Nov. 16, 1807, he was given all rights to the land water between high and low water mark bounding his property, for an absurdly low rental.[18] These water grants were subsequently filled in and became of enormous value.

Astor was as energetic as Rhinelander in getting grants from the city officials. In 1806 he obtained two of large extent on the East Side—on Mangin street between Stanton and Houston streets, and on South street between Peck Slip and Dover street. On May 30, 1808, upon a favorable report handed in by the Finance Committee, of which the notorious John Bingham was a member, Astor received an extensive grant along the Hudson bounding the old Burr estate which had come into his possession.[19] In 1810 he received three more water grants in the vicinity of Hubert, Laight, Charlton, Hammersly and Clarkson streets, and on April 28, 1828, three at Tenth avenue, Twelfth, Thirteenth, Fourteenth and Fifteenth streets. These were some of the grants that he received. But they do not include the land in the heart of the city that he was constantly buying from private owners or getting by the evident fraudulent connivance of the city officials.

Having obtained the water grants and other land by fraud, what did the grantees next proceed to do? They had them filled in, not at their own expense, but largely at the expense of the municipality. Sunken lots were filled in, sewers placed, and streets opened, regulated and graded at but the merest minimum of expense to these landlords. By fraudulent collusion with the city authorities they foisted much of the expense upon the taxpayers. How much money the city lost by this process in the early decades of the nineteenth century was never known. But in 1855 Controller Flagg submitted to the Common Council an itemized statement for the five years from 1850, in which he referred to "the startling fact that the city's payments, in a range of five years [for filling in sunken lots, regulating and grading streets, etc.], exceed receipts by the sum of *more than two millions* of dollars."[20]

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[18] MSS. Minutes of the Common Council, xvii:141-144. See also Annual Report of Controller for 1849, Appendix A.

[19] MSS. Minutes of the Common Council, xviii:411-414.

[20] Doc. No. 33, Documents of the Board of Aldermen, xxii:26.

MANY PARTICIPANTS IN THE CURRENT FRAUDS

In the case of most of these so-called water fronts, there was usually a trivial rental attached. In this rush to get water-grants—grants many of which are now solid land filled with business and residential buildings—many of the ancestors of those families which pride themselves upon their exclusive air participated. The Lorillards, the Goelets, William F. Havemeyer, Cornelius Vanderbilt, W. H. Webb, W. H. Kissam, Robert Lenox, Schermerhorn, James Roosevelt, William E. Dodge, Jr.—all of these and many others—not omitting Astor's American Fur Company—at various times down to, and including the period of, the monumentally corrupt Tweed "ring," got grants from corrupt city administrations. These water front grants extended thirty miles around New York City.

But one of the original conditions was that they were to construct terminal streets—a provision which they never performed. In consequence, they had no clear title. They remedied this situation by lobbying through the Legislature, in 1865, a law, allowing them to pay a designated sum to the city in lieu of that non-performance. By the payment of a small amount most of them obtained from the city a full and clear title. In developing the water front, the Department of Docks had to buy back such of these water front grants as were needed for wharves and bulkheads, and it had to pay exorbitant sums. From the organization of the Department of Docks down to 1906, inclusive, New York City expended $70,000,000 for the purchase of bulkhead and wharf property and for construction, and for such water-front rights as were not taken for dock improvement, the owners have derived high rental revenues from private users. It was the continuing great city expenditure, reaching many more millions of dollars that caused John F. Hylan, Mayor of New York City in 1918-1925, to bring about the repeal of the law of 1865. However, all except a small number of the original grants had been confirmed. The holders of those which had neglected to have certain claims fully validated—and these comprised some of the large estates such as the Goelet, Rhinelander and others having a few hundred parcels—thereupon sought the passage of a law authorizing the Controller of New York City to effect a commutation and release them from the original conditions. The latest attempt to have this bill enacted was in 1936, but it failed.

During all the years from 1800 on, Astor, in conjunction with other landholders, was manipulating the city government not less than the State and Federal Governments. Now he gets from the Board of Aldermen title to a portion of this or that old country road on Manhattan which the city closes up; again and again he gets rights of land under water. He constantly solicits the Board of Aldermen for this or that right or privilege and nearly always succeeds. No property or sum is too small for his grasp. In 1832, when Eighth avenue, from Thirteenth to Twenty-third streets is graded down and the earth removed is sold by the city to a contractor for $3,049.44, Astor, Stephen D. Beekman and

Jacob Taylor petition that each get a part of the money for earth removed from in front of their lots. This is considered such a petty attempt at defrauding, that the Aldermen call it an "unreasonable petition" and refuse to accede.[21] In 1834 the Aldermen allow him a part of the old Hurlgate road, and Rhinelander a part of the Southampton road. Not a year passes but that he does not get some new right or privilege from the city government. At his request some streets are graded and improved; the improvement of such other streets as is not to his interest to have improved is delayed. Here sewers are placed; there they are refused. Every function of city administration was incessantly used by him. The cumulative effect of this class use of government was to give him and others a constant succession of grants and privileges that now have a prodigious value.

But it should be noted that those who thus benefited, singularly enjoyed the advantages of laws and practices. For city land that they bought they were allowed to pay on easy terms; not infrequently the city had to bring action for final payment. But the tenants of these landlords had to pay rent on the day that it fell due, or within a few days of the time; *they* could not be in arrears more than three days without having to face dispossess proceedings. Nor was this all the difference. On land which they corruptly obtained from the city and which, to a large extent, they fraudulently caused to be filled in, regulated, graded or otherwise improved at the expense of the whole community, the landlords refused to pay taxes promptly, just as they refused to pay them on land that they had bought privately. What was the result? "Some of our wealthiest citizens," reported the Controller in 1831, "are in the habit of postponing the payment of taxes for six months and more, and the Common Council are necessitated to borrow money on interest to meet the ordinary disbursements of the city." [22] If a man of very moderate means were backward in payment of taxes, the city promptly closed him out, and if a tenant of any of these delinquent landlords were dispossessed for non-payment of rent, the city it was which undertook the process of eviction. The rich landlord, however, could do as he pleased, since all government represented his interests and those of his class. Instead of the punishment for non-payment of taxes being visited upon him, it was imposed upon the whole community in the form of interest-bearing bonds.

PILLAGE, PROFITS AND LAND

The money that Astor secured by robbing the Indians and exploiting the workers by means of monopolies, he thus put largely into land. In 1810, a story runs, he offers to sell a Wall Street lot for $8,000. The price is so low that a buyer promptly appears. "Yes, you are astonished,"

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[21] Proceedings of the Board of Aldermen, 1832-33, iv:416-418.

[22] Controller's Reports for 1831:7. Also Ibid. for 1841:28.

Astor says. "But see what I intend to do with that eight thousand dollars. That Wall Street lot, it is true, will be worth twelve thousand dollars in a few years. But I shall take that eight thousand dollars and buy eighty lots above Canal street and by the time your one lot is worth twelve thousand dollars, my eighty lots will be worth eighty thousand dollars." So goes one of the fine stories told to illustrate his foresight, and to prove that his fortune came exclusively from that faculty and from his industry.

This version bears all the impress of being undoubtedly a fraud. Astor was remarkably secretive and dissembling, and never revealed his plans to anyone. That he bought the lots is true enough, but his attributed loquacity is mythical and is the invention of some gushing eulogist. At that time he was buying for $200 or $300 each many lots on lower Broadway, then, for the most part, an unoccupied waste. What he was counting upon was the certain growth of the city and the vastly increasing values not that he would give his land, but which would accrue from the labor of an enlarged population. These lots were later occupied by crowded business buildings.

Throughout those years in the first decade of the nineteenth century he was constantly buying land on Manhattan Island. Practically all of it was bought, not with the idea of using it, but of holding it and allowing future populations to make it a thousand times more valuable. An exception was his country estate of thirteen acres at Hurlgate (Hellgate) in the vicinity of Sixtieth street and the East River. It was curious to look back at the fact that a century ago the upper regions of Manhattan Island were filled with country estates—regions now densely occupied by huge tenement and apartment houses and some private dwellings. In those days, not less than in these, a country seat was considered a necessary appendage to the possessions of a rich man. Astor bought that Hurlgate estate as a country seat; but as such it was long since discontinued although the land comprising it has never left the hold of the Astor family.

What were the intrinsic circumstances of the means by which he bought land, now worth hundreds of millions of dollars? For once, we get a gleam of the truth, but a gleam only, in the "popular writer's" account when he says: "John Jacob Astor's record is constantly crossed by embarrassed families, prodigal sons, mortgages and foreclosure sales. Many of the victims of his foresight were those highest in church and state. He thus acquired for $75,000 one-half of Governor George Clinton's splendid Greenwich country place [in the old Greenwich village on the west side of Manhattan Island]. . . . After the Governor's death, he kept persistently at the heirs, lent them money and acquired additional slices of the family property. . . . Nearly two-thirds of the Clinton farm is now held by Astor's descendants, and is covered by scores of business buildings, from which is derived an annual income estimated at $500,000."

THE FATE OF OTHERS HIS GAIN

In this transaction we see the beginnings of that period of conquest on the part of the very rich using their surplus capital in effacing the less rich—a period which really opened with Astor and which has been vastly intensified in recent times. Clinton was accounted a rich man in his day, but he was a pigmy in that respect compared to Astor. With his incessant inflow of surplus wealth, Astor was in a position where on the instant he could take advantage of the difficulties of less rich men and take over to himself their property. A large amount of Astor's money was invested in mortgages. In times of periodic financial and industrial distress, the mortgagors were driven to extremities and could no longer keep up their payments. These were the times that Astor waited for, and it was in such times that he stepped in and possessed himself, at comparatively small expense, of large additional tracts of land.

It was this way that he became the owner of what was then the Cosine farm, extending on Broadway from Fifty-third to Fifty-seventh streets and westward to the Hudson River. This property, which he got for $23,000 by foreclosing a mortgage, is now in the very heart of the city, filled with many business, and every variety of residential, buildings, and is rated as worth $10,000,000. By much the same means he acquired ownership of the Eden farm in the same vicinity, coursing along Broadway north from Forty-second street and slanting over to the Hudson River. This farm lay under pledges for debt and attachments for loans. Suddenly Astor turned up with a third interest in an outstanding mortgage, foreclosed, and for a total payment of $25,000 obtained a sweep of property now covered densely with huge hotels, theaters, office buildings, stores and long vistas of residences and tenements—a property worth at the very least $30,000,000. Any one with sufficient security in land who sought to borrow money would find Astor extremely accommodating. But woe betide the hapless borrower, whoever he was, if he failed in his obligations to the extent of even a fraction of the requirements covered by law! Neither personal friendship, religious considerations nor the slightest feelings of sympathy availed.

But where law was insufficient or non-existent, new laws were created either to aggrandize the powers of landlordship, or to seize hold of land or enhance its value, or to get extraordinary special privileges in the form of banking charters. And here it is necessary to digress from the narrative of Astor's land transactions and advert to his banking activities, for it was by reason of these subordinately, as well as by his greater trade revenues, that he was enabled so successfully to pursue his career of wealth-gathering. The circumstances as to the origin of certain powerful banks in which he and other landholders and traders were large stockholders, the methods and powers of those banks, and their effect upon the great body of the people, are component parts of the analytic account of his operations. Not a single one of Astor's biographers has mentioned his banking connections. Yet it is of the greatest importance to describe them, inasmuch as they were closely intertwined with his trade, on the one hand, and with his land acquisitions, on the other.

Chapter IV

THE RAMIFICATIONS OF THE ASTOR FORTUNE

ASTOR flourished at that precise time when the traders and landowners, flushed with revenues, reached out for the creation and control of the highly important business of professionally dealing in money, and of dictating, personally and directly, what the supply of the people's money should be.

This signalized the next step in the aggrandizement of individual fortunes. The few who could center in themselves, by grace of Government, the banking and manipulation of the people's money and the restricting or inflating of money issues, were immediately vested with an extraordinary power. It was a sovereign power at once coercive and proscriptive, and a mighty instrument for transferring the produce of the many to a small and exclusive coterie. Not merely over the labor of the whole working class did this gripping process extend, but it was severely felt by that large part of the landowning and trading class which was excluded from holding the same privileges. The banker became the master of the master. In that fierce, pervading competitive strife, the banks were the final exploiters. Sparsely organized and wholly unprotected, the worker was in the complete power of the trader, manufacturer and landowner; in turn, such of these divisions of the propertied class as were not themselves sharers in the ownership of banks were at the mercy of the banking institutions.

At any time upon some pretext or other, the banks could arbitrarily refuse the latter class credit or accommodation, or harass its victims in other ways equally as destructive. As business was largely done in expectations of payment, in other words, on credit, as it is now, this was a serious, often a desperate, blow to the lagging or embarrassed brothers in trade. Banks were virtually empowered by law to ruin or enrich any individual or set of individuals. As the banks were then founded and owned by men who were themselves traders or landholders, this power was crushingly used against competitors. Armed with the strong power of law, the banks overawed the mercantile world, thrived on the industry, misfortune or ruin of others, and swayed politics and elections. The bank men loaned money to themselves at an absurdly low rate of interest. But for loans of money to all others they demanded a high rate of interest which, in periods of commercial distress, overwhelmed the borrowers. Nominally banks were restricted to a certain standard rate of interest; but by various subterfuges they easily evaded these provisions and exacted usurious rates.

BANKS AND THEIR POWER

These, however, were far from being the worst features. The most innocent of their great privileges was that of playing fast and loose with the money confidingly entrusted to their care by a swarm of depositors who either worked for it, or, for the matter of that, often stole it; bankers, like pawnbrokers, ask no questions. The most remarkable of their vested powers was that of manufacturing money. The industrial manufacturer could not make goods unless he had the plant, the raw material and the labor. But the banker, somewhat like the fabled alchemists, could transmute airy nothing into bank-note money, and then, by law, force its acceptance. The lone trader or landholder unsupported by a partnership with law could not fabricate money. But let trader and landholder band in a company, incorporate, then persuade, wheedle or bribe a certain entity called a legislature to grant them a certain bit of paper styled a charter, and lo! they were instantly transformed into money manufacturers.

A MANDATE TO PREY

The simple mandate of law was sufficient authorization for them to prey upon the whole world outside of their charmed circle. With this scrap of paper they could go forth on the highways of commerce and over the farms and drag in, by the devious, absorbent processes of the banking system, a great part of the wealth created by the actual producers. As it was with taxation, so was it with the burdens of this system; they fell largely upon the worker, whether in the shop or on the farm. When the business man and the landowner were compelled to pay exorbitant rates of interest they but apparently had to meet the demands. What these classes really did was to throw the whole of these extra impositions upon the working class in the form of increased prices for necessaries and merchandise and in augmented rents.

But how were these State or Government authorizations, called charters, to be obtained? Did not the Federal Constitution prohibit States from giving the right to banks to issue money? Were not private money factories specifically barred by that clause of the Constitution which declared that no State "shall coin money, emit bills of credit, or make anything but gold or silver a tender in payment of debts?"

Here, again, the power of class domination of Government came into compelling effect. The onward sweep of the trading class was not to be balked by such a trifling obstacle as a Constitutional provision. At all times when the Constitution has stood in the way of commercial aims it has been abrogated, not by repeal nor violent overthrow, but by the effective expedient of judicial interpretation. The trading class demanded State created banks with power of issuing money; and, as the courts have invariably in the long run responded to the interests and decrees of the dominant class, a decision was quickly forthcoming in this case to the effect that "bills of credit" were not meant to cover banknotes. This was a new and surprising construction; but judicial decision and precedent made it virtually law, and law a thousandfold more binding than any Constitutional insertion.

COURTS AND CONSTITUTION

The trading class had already learned the importance of the principle that while it was essential to control law-making bodies, it was imperative to have as their auxiliary the bodies that interpreted law. To a large extent the United States since then has lived not under legislative-made law, but under a purely separate and extraneous form of law which has superseded the legislature product, namely, court law. Although nowhere in the United States Constitution is there even the suggestion that courts shall make law, yet this past century and more they have been gradually building up a formidable code of interpretations which substantially ranks as the most commanding kind of law. And these interpretations have, on the whole, consistently followed, and kept pace with, the changing interests of the dominant class, whether traders, slaveholders, or the present trusts.

This decision of the august courts opened the way for the greatest orgy of corruption and the most stupendous frauds. In New York, Massachusetts, New Jersey, Pennsylvania, Maryland, and other States a continuous rush to get bank charters ensued. Most of the legislatures were composed of men who, while perhaps, not innately corrupt, were easily seduced by the corrupt temptations held out by the traders. There was a deep-seated hostility, in many parts of the country, on the part of the middling tradesmen—the shopkeepers and the petty merchants—to any laws calculated to increase the power and the privileges of the superior traders and the landowners. Among the masses of workers, most of whom were, however, disfranchised, any attempt to vest the rich with new privileges, was received with the bitterest resentment. But the legislatures were approachable; some members who were put there by the rich families needed only the word as to how they should vote, while others, representing both urban and rural communities, were swayed by bribes. By one means or another the traders and landholders forced the various legislatures into doing what was wanted.

Omitting the records of other States, a few salient facts as to what took place in New York State will suffice to give a clear idea of some of the methods of the trading class in pressing forward their conquests, in hurling aside every impediment, whether public opinion or law, and in creating new laws which satisfied their extending plans for a ramification of profit-producing interests. If forethought, an unswerving aim and singleness of execution mean anything, then there was something sternly impressive in the way in which this rising capitalist class went forward to snatch what it sought, and what it believed to be indispensable to its plans. There was no hesitation, nor were there any scruples as to niceties of methods; the end in view was all that counted; so long as that was attained, the means used were considered paltry side-issues. And, indeed, herein lies the great distinction of action between the world-old propertied classes and the contending proletariat; for whereas the former have always campaigned irrespective of law and particularly by bribery, intimidation, repression and force, the working class has had to confine its movement strictly to the narrow range of laws which were expressly prepared against it and the slightest violation of which has called forth the summary vengeance of a society ruled actually, if not theoretically, by the very propertied classes which set at defiance all law.

THE BANKING FRAUDS BEGIN

The chartered monopoly held by the traders who controlled the United States Bank was not accepted passively by others of the commercial class, who themselves wanted financial engines of the same character. The doctrine of State's rights served the purpose of these excluded capitalists as well as it did that of the slave-holders.

The States began a course of reeling out bank charters. By 1799, New York City had one bank, the Bank of New York; this admixed the terrorism of trade and politics so overtly that presently an opposition application for a charter was made. This solitary bank was run by some of the old landowning families who fully understood the danger involved in the triumph of the democratic ideas represented by Jefferson; a danger far overestimated, however, since win as democratic principles did, the propertied class continued its victorious march, for the simple reason that property was able to divert manhood suffrage to its own account, and to aggrandize itself still further on the ruins of every subsequent similar reform expedient. What the agitated masses, for the most part, of that period could not comprehend was that they who hold the possession of the economic resources will indubitably sway the politics of a country, until such time as the proletariat, no longer divided but thoroughly conscious, organized and aggressive, will avail itself of its majority vote to transfer the powers of government to itself. The Bank of New York injected itself virulently into politics and fought the spread of democratic ideas with sordid but effective weapons. If a merchant dared support what it denounced as heretical doctrines, the bank at once blacklisted him by rejecting his notes when he needed cash most.

It was now that Aaron Burr, that adroit leader of the opposition party, stepped in. Seconded or instigated by certain traders, he set out to get one of those useful and invaluable bank charters for his backers. The explanation of how he accomplished the act is thus given: Taking advantage of the epidemic of yellow fever then desolating New York City, he, with much preliminary of philanthropic motives, introduced a bill for the apparent beneficent purpose of diminishing the future possibility of the disease by incorporating a company, called the Manhattan

Company, to supply pure, wholesome water. Supposing that the charter granted nothing more than this, the explanation goes on, the Legislature passed the bill, and was most painfully surprised and shocked when the fact came out that the measure had been so deftly drawn, that it, in fact, granted an unlimited charter, conferring banking powers on the company.[1]

This explanation is probably shallow and deficient. It is much more likely that bribery was resorted to, considering the fact that the granting of every successive bank charter was invariably accompanied by bribery. Six years later the Mercantile Bank received a charter for a thirteen years' period—a charter which, it was openly charged by certain members of the Assembly, was secured by bribery. These charges were substantially proved by the testimony before a legislative investigating committee.[2] In 1811 the Mechanics' Bank was chartered with a time limit under circumstances indicating bribery.

Indeed, so often was bribing done and so pronounced were charges of corruption at frequent sessions of the Legislature, that in 1812, the Assembly, in an heroic spasm of impressive virtue, passed a resolution compelling each member to pledge himself that he had neither taken, nor would take, "any reward or profit, direct or indirect, for any vote on any measure." [3] This resolution was palpably intended to blind the public; for, in that identical year, the Bank of America received a charter amid charges of flagrant corruption. One Assemblyman declared under oath that he had been offered the sum of $500, "besides, a handsome present for his vote." [4] All of the banks, except the Manhattan, had limited charters; measures for the renewal of these were practically all put through by bribery.[5] Thus, in 1818, the charter of the Merchants' Bank was renewed until 1832, and renewed after that. The chartering of the Chemical Bank (that staid and most eminently respectable and solid New York institution of to-day) was accomplished by bribery. The Chemical Bank was an outgrowth of the Chemical Manufacturing Company, the plant and business of which were bought expressly as an excuse to get a banking auxiliary. The Goelet brothers were among the founders of this bank. In fact, many of the great landed fortunes were inseparably associated with the frauds of the banking system; money from land was used to bribe legislatures, and money made from the banks was employed in buying more land. The promoters of the Chemical Bank set aside a considerable sum of money and $50,000 in stock for the bribery fund.[6] No sooner had it received its charter than it began to turn out reams of paper money, based upon no value, which paper was paid as wages to its employees as well as circulated generally. So year after year the bribery went on industriously, without cessation.

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[1] Hammond's "Political History of the State of New York," 1:129-130.

[2] Journal of the [New York] Senate and Assembly, 1803:351 and 399.

[3] Ibid., 1812:134.

[4] Ibid., 1812:259-260. Frequently, in those days, the giving of presents was a part of corrupt methods.

[5] "The members [of the Legislature] themselves sometimes participated in the benefits growing out of charters created by their own votes.... if ten banks were chartered at one session, twenty must be chartered the next, and thirty the next. The cormorants could never be gorged. If at one session you bought off a pack of greedy lobby agents ... they returned with increased numbers and more voracious appetite."—Hammond, ii:447-448.

BRIBERY A CRIME IN NAME ONLY

Were the bribers ever punished, their illicitly gotten charters declared forfeited, and themselves placed under the ban of virtuous society? Far, very far, from it! The men who did the bribing were of the very pinnacle of social power, elegance and position, or quickly leaped to that height by reason of their wealth. They were among the foremost landholders and traders of the day. By these and a wide radius of similar means, they amassed wealth or greatly increased wealth already accumulated. The ancestors of some of the most conspicuous multi-millionaire families of the present were deeply involved in the perpetration of all of those continuous frauds and crimes—Peter Goelet and his sons, Peter P. and Robert, for instance, and Jacob Lorillard, who, for many years, was president of the Mechanics' Bank. No stigma attached to these wealth-graspers. Their success as possessors of riches at once, by the automatic processes of a society which enthroned wealth, elevated them to be commanding personages in trade, politics, orthodoxy and the highest social spheres. The cropped convict, released from prison, was followed everywhere by the jeers and branding of a society which gloated over his downfall and which forever reminded him of his infamy. But the men who waded on to wealth through the muck of base practices and by means of crimes a millionfold more insidious and dangerous than the offense of the convict, were not only honored as leading citizens, but they became the extolled and unquestioned dictators of that supreme trading society which made modes, customs and laws.

It was a society essentially built upon money; consequently he who was dexterous enough to get possession of the spoils, experienced no difficulty in establishing his place among the elect and anointed. His frauds were forgotten or ignored; only the fact that he was a rich man was remembered. And yet, what is more natural than to seek, and accept, the obeisance lavished upon property, in a scheme of society where property is crowned as the ruling power?

ASTOR'S BANKING ACTIVITIES

With this preliminary sketch, we can now proceed to a consideration of how Astor profited from the banking system. We see that constantly the bold spirits of the trading class, with a part of the money made or plundered in some direction or other, were bribing representative bodies to give them exceptional rights and privileges which, in turn, were made the fertile basis for further spoliation. Astor was a stockholder in at least four banks, the charters of which had been obtained or renewed by trickery and fraud, or both. He owned 1,000 shares of the capital stock of the Manhattan Company; 1,000 of the Merchants' Bank; 500 of the Bank of America; 1,604 of the Mechanics' Bank. He also owned at one time considerable stock in the National Bank, the charter of which, it was strongly suspected, had been obtained by bribery.

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[6] Journal of the [New York] Senate, 1824:1317-1350. See also Chap. VIII, Part II of this work.

There is no evidence that he, himself, did the actual bribing or was in any way concerned in it. In all of the legislative investigations following charges of bribery, the invariable practice was to throw the blame upon the wicked lobbyists, while professing the most naïve astonishment that any imputations should be cast upon any of the members of the honorable Legislature. As for the bribers behind the scenes, their names seldom or never were brought out or divulged. In brief, these investigations were all of that rose-water order, generally termed "whitewashing." But whether Astor personally bribed or not, he at any rate consciously profited from the results of bribery; and, moreover, it is not probable that his methods in the East were different, except in form, from the debauching and exploitation that he made a system of in the fur regions. It is not outside the realm of reasonable conjecture to suppose that he either helped to debauch, or connived at the corruption of, legislatures, just as in another way he debauched Indian tribes.

Furthermore, his relations with Burr in one notorious transaction, are sufficient to justify the conclusion that he held the closest business relations with that political adventurer who lived next door to him at No. 221 Broadway. This transaction was one which was partially the outcome of the organization of the Manhattan Bank and was a source of millions of dollars of profit to Astor and to his descendants.

A century or more ago Trinity Church owned three times the extent of even the vast real estate that it now holds. A considerable part of this was the gift of that royal governor Fletcher, who, as has been set forth, was such a master-hand at taking bribes. There long existed a contention upon the part of New York State, a contention embodied in numerous official records, that the land held for centuries by Trinity Church was usurped; that Trinity's title was invalid and that the real title vested in the people of the city of New York. In 1854-55 the Land Commissioners of New York State, deeply impressed by the facts as marshalled by Rutger B. Miller,[7] recommended that the State bring suit. But with the filing of Trinity's reply, mysterious influences intervened and the matter was dropped. These influences are frequently referred to in aldermanic documents.

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[7] "Letter and Authentic Documentary Evidence in Relation to the Trinity Church Property," etc., Albany, 1853. Hoffman, the best authority on the subject, says in his work published seventy-four years ago: "Very extensive searches have proved unavailing to enable me to trace the sources of the title to much of this upper portion of Trinity Church property."—"State and Rights of the Corporation of New York," ii:189.

To go back, however: In 1767 Trinity Church leased to Abraham Mortier, for ninety-nine years, at a total annual rental of $269 a year, a stretch of land comprising 465 lots in what is now the vicinity bounded by Greenwich, Spring and Hudson streets. Mortier used it as a country place until 1797, when the New York Legislature, upon the initiative of Burr, developed a consuming curiosity as to how Trinity Church was expending its income. This was a very ticklish question with the pious vestrymen of Trinity, as it was generally suspected that they were commingling business and piety in a way that might, if known, cause them some trouble. The law, at that time, restricted the annual income of Trinity Church from its property to $12,000 a year. A committee of investigation was appointed; of this committee Burr was made chairman.

HOW ASTOR SECURED A LEASE

Burr never really made any investigation. Why? The reason soon came out, when Burr turned up with a transfer of the Mortier lease to himself. He at once obtained from the Manhattan Bank a $38,000 loan, pledging the lease as security. When his duel with Hamilton forced Burr to flee the country, Astor promptly came along and took the lease off his hands. Astor, it was said, paid him $32,000 for it, subject to the Manhattan Bank's mortgage. At any rate, Astor now held this extraordinarily valuable lease.[8] He immediately re-leased it in lots; and as the city fast grew, covering the whole stretch with population and buildings, the lease was a source of great revenue to him and to his heirs.[9] As a Lutheran, Astor could not be a vestryman of Trinity Church. Anthony Lispenard, however, it may be passingly noted, was a vestryman, and, as such, mixed piety and business so well, that his heirs became possessed of millions of dollars by the mere fact that in 1779, when a vestryman, he got a lease, for eighty-three years of eighty-one Trinity lots adjacent to the Astor leased land, at a total annual rental of $177.50.[10] As Trinity Church leased these lots so did it lease other parts of its vast holdings. But, it may be noted here, there came a change of policy after the great industrial depression which began in 1929. Trinity Church began buying in or taking over the ground leases, and by 1936 it had hundreds of millions of dollars worth of land and buildings under its direct control as well as in its ownership. The 1935 tax figures showed that Trinity's real estate—almost wholly on the lower West Side of Manhattan, New York City—was assessed at $36,258,500.

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[8] In all of the official communications of Trinity Church up to 1867 this lease is referred to as the "Burr or Astor Lease."—"The Communication of the Rector, Church Wardens and Vestrymen of Trinity Church in the city of New York in reply to a resolution of the House, passed March 4, 1854"; Document No. 130, Assembly Docs. 1854. Also Document No. 45, Senate Docs. 1856. Upon returning from exile Burr tried to break his lease to Astor, but the lease was so astutely drawn that the courts decided in Astor's favor.

[9] In his descriptive work on New York City of a half century ago, Matthew Hale Smith, in "Sunshine and Shadow in New York" (pp. 121-122), tells this story: "The Morley [Mortier] lease was to run until 1867. Persons who took the leases supposed that they took them for the full term of the Trinity lease. [John Jacob] Astor was too far-sighted and too shrewd for that. Every lease expired in 1864, leaving him [William L. Astor, the founder's heir] the reversion for three years, putting him in possession of all the buildings, and all of the improvements made on the lots, and giving him the right of renewal." Smith's account is faulty. Most of the leases expired in 1866. The value of the reversions was very large.

It was by the aid of the banking system that the trading class was greatly enabled to manipulate the existing and potential resources of the country and to extend invaluable favors to themselves. In this system Astor was a chief participant. For many years the banks, especially in New York State, were empowered by law to issue paper money to the extent of three times the amount of their capital. The actual specie was seized hold of by the shippers, and either hoarded, or exported in quantities to Asia or Europe which, of course, would not handle paper money. By 1819 the banks in New York had issued $12,500,000, and the total amount of specie to redeem this fiat stuff amounted to only $2,000,000. These banknotes were nothing more or less than irresponsible promises to pay. What became of them?

WHAT THE WORKER GOT AS WAGES

What, indeed, became of them? They were imposed upon the working class as payment for labor. Although these banknotes were subject to constant depreciation, the worker had to accept them as though they were full value. But when the worker went to buy provisions or pay rent, he was compelled to pay one-third, and often one-half, as much as the value represented by those banknotes. Sometimes, in crises, he could not get them cashed at all; they became pitiful souvenirs in his hands. This fact was faintly recognized by a New York Senate Committee when it reported in 1819 that every artifice in the wit of man had been devised to find ways of putting these notes into circulation; that when the merchant got this depreciated paper, he "saddled it upon the departments of productive labor." "The farmer and the mechanic alike," went on the report, "have been invited to make loans and have fallen victims to the avarice of the banker. The result has been the banishment of metallic currency, the loss of commercial confidence, fictitious capital, increase of civil prosecutions and multiplication of crimes." [11] What the committee did not see was that by this process those in control of the banks had, with no expenditure, possessed themselves of a considerable part of the resources of the country and had made the worker yield up twice and three times as much of the produce of his labor as he had to give before the system was started.

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[10] Docs. No. 130 [New York] Assembly Docs., 1854:22-23.

[11] Journal of the [New York] Senate, Forty-second Session, 1819:67-70.

The large amount of paper money, without any basis of value whatever, was put out at a heavy rate of interest. When the merchant paid his interest, he charged it up as extra cost on his wares; and when the worker came to buy these same wares which he or some fellow-worker had made, he was charged a high price which included three things all thrown upon him: rent, interest and profit. The banks indirectly sucked in a large portion of these three factors. And so thoroughly did the banks control legislation that they were not content with the power of issuing spurious paper money; they demanded, and got through, an act exempting bank stock from taxation.

Thus year after year this system went on, beggaring great numbers of people, enriching the owners of the banks and virtually giving them a life and death power over the worker, the farmer and the floundering, struggling small business man alike. The laws were but slightly altered. "The great profits of the banks," reported a New York Senate Committee on banks and insurance in 1834, "arise from their issues. It is this privilege which enables them, in fact, to coin money, to substitute their evidences of debt for a metallic currency and to loan more than their actual capitals. A bank of $100,000 capital is permitted to loan $250,000; and thus receive an interest on twice and a half the amount actually invested." [12]

THE WORKINGMEN'S PARTY PROTEST

It cannot be said that all of the workingmen were apathetic, or that some did not see through the fraud of the system. They had good reason for the deepest indignation and exasperation. The terrible injustices piled upon them from every quarter—the low wages that they were forced to accept, often in depreciated or worthless banknotes, the continually increasing exactions of the landlords, the high prices squeezed out of them by monopolies, the arbitrary discriminations of law—these were not without their effect. The Workingmen's Party, formed in 1829 in New York City, was the first and most ominous of these proletarian uprisings. Its resolutions read like a proletarian Declaration of Independence, and would unquestionably have resulted in the most momentous agitation, had it not been that it was smothered by its leaders, and also because the slavery issue long obscured purely economic questions. "Resolved," ran its resolutions adopted at Military Hall, Oct. 19, 1829,

> in the opinion of this meeting, that the first appropriation of the soil of the State to private and exclusive possession was eminently and barbarously un-

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[12] Doc. No. 108, [New York] Senate Documents, 1834, Vol. ii. The committee stated that banks in the State outside of New York City, after paying all expenses, divided 11 per cent. among the stockholders in 1833 and had on hand as surplus capital 16 per cent. on their capital. New York City banks paid larger dividends.

> just. That it was substantially feudal in its character, inasmuch as those who received enormous and unequal possessions were *lords* and those who received little or nothing were *vassals*. That hereditary transmission of wealth on the one hand and poverty on the other, has brought down to the present generation all the evils of the feudal system, and that, in our opinion, is the prime source of all our calamities.

After declaring that the Workingmen's Party would oppose all exclusive privileges, monopolies and exemptions, the resolutions proceeded:

> We consider it an exclusive privilege for one portion of the community to have the *means of education in colleges,* while another is restricted to common schools, or, perhaps, by extreme poverty, even deprived of the limited education to be acquired in those establishments. Our voice, therefore, shall be raised in favor of a system of education which shall be equally open to *all*, as in a real republic, it should be.

Finally the resolutions told what the Workingmen's Party thought of the bankers and the banking system. The bankers were denounced as "the greatest knaves, impostors and paupers of the age." The resolutions went on:

> As banking is now conducted, the owners of the banks receive annually of the people of the State not less than two millions of dollars in their paper money (and it might as well be pewter money) for which there is and can be nothing provided for its redemption on demand. . . .

The mockery that went up from all that was held influential, respectable and stable when these resolutions were printed, was echoed far and wide. They were looked upon first as a joke, and then, when the Workingmen's Party began to reveal its earnestness and strength, as an insolent challenge to constituted authority, to wealth and superiority, and as a menace to society.

RADICALISM VERSUS RESPECTABILITY

The "Courier and Enquirer," owned by Webb and Noah, in the pay of the United States Bank, burst out into savage invective. It held the Workingmen's Party up to opprobrium as an infidel crowd, hostile to the morals and the institutions of society, and to the rights of property. Nevertheless, the Workingmen's Party proceeded with an enthusiastic, almost ecstatic, campaign and polled 6,000 votes, a very considerable number compared to the whole number of voters at the time.

By 1831, however, it had gone out of existence. The reason was that it allowed itself to be betrayed by the supineness, incompetence, and, as some said, the treachery, of its leaders, who were content to accept from a Legislature controlled by the propertied interests various mollifying sops which slightly altered certain laws, but which in no great degree redounded to the benefit of the working class. For a few bits of counterfeit, this splendid proletarian uprising, glowing with energy, enthusiasm and hope, allowed itself to be snuffed out of existence. What a tragedy was there!

THE PANIC OF 1837

Passing over the Equal Rights movement in 1834 which was a diluted revival of the Workingmen's Party, and which, also, was turned into sterility by the treachery of its leaders, we arrive at the panic of 1837, the time when Astor, profiting from misfortune on every side, vastly increased his wealth.

The panic of 1837 was one of those periodic financial and industrial convulsions resulting from the chaos of capitalist administration. No sooner had it commenced, than the banks refused to pay out any money, other than their worthless notes. For thirty-three years they had not only enjoyed immense privileges, but they had used the powers of Government to insure themselves a monopoly of the business of manufacturing money. In 1804 the Legislature of New York State had passed an extraordinary law, called the restraining act. This prohibited, under severe penalties, all associations and individuals not only from issuing notes, but "from receiving deposits, making discounts or transacting any other business which incorporated banks may or do transact." Thus the law not only legitimatized the manufacture of worthless money, but guaranteed a few banks a monopoly of that manufacture. Another restraining act was passed in 1818. The banks were invested with the sovereign privilege of depreciating the currency at their discretion, and were authorized to levy an annual tax upon the country, nearly equivalent to the interest on $200,000,000 of deposits and circulation. On top of these acts, the Legislature passed various acts compelling the public authorities in New York City to deposit public money with the Manhattan Company. This company, although, as we have seen, expressly chartered to supply pure water to the city of New York, utterly failed to do so; at one stage the city tried to have its charter revoked on the ground of failure to carry out its chartered function, but the courts decided in the company's favor.[13]

At the outbreak of the panic of 1837, the New York banks held more than $5,500,000 of public money. When called upon to pay only about million of that sum, or the premium on it, they refused. But far worse was the experience of the general public. When they frantically besieged the banks for their money, the bank officials filled the banks with heavily armed guards and plug-uglies with orders to fire on the crowd in case a rush was attempted.[14]

In every State conditions were the same. In May, 1837, no fewer than eight hundred banks in the United States suspended payment, refusing a single dollar to the Government whose deposits of $30,000,000 they held, and to the people in general who held $120,000,000 of their notes. No specie whatever was in circulation. The country was deluged with small notes, colloquially termed shinplasters. Of every form and every denomination from the alleged value of five cents to that of five dollars, they were issued by every business individual or corporation for the purpose of paying them off as wages to their employees. The worker was forced to take them for his labor or starve. Moreover, the shinplasters were so badly printed that it was not hard to counterfeit them. The counterfeiting of them quickly became a regular business; immense quantities of the stuff were issued. The worker never knew whether the bills paid him for his work were genuine or counterfeit, although essentially there was not any great difference in basic value between the two.[15]

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[13] People of the State of New York vs. Manhattan Co.—Doc. 62, Documents of the Board of Assistant Aldermen, 1832-33, Vol. ii.

[14] Doc. No. 68 [New York] Senate Docs., 1838, Vol. ii.

THE RESULTING WIDESPREAD DESTITUTION

Now the storm broke. Everywhere was impoverishment, ruination and beggary. Every bank official in New York City was subject to arrest for the most serious frauds and other crimes, but the authorities took no action. On the contrary, so complete was the dominance of the banks over Government,[16] that they hurriedly got the Legislature to pass an act practically authorizing a suspension of specie payments. The consequences were appalling. "Thousands of manufacturing, mercantile, and other useful establishments in the United States," reported a New York Senate Committee, "have been broken down or paralyzed by the existing crisis. . . . In all our great cities numerous individuals, who, by a long course of regular business, had acquired a competency, have suddenly been reduced, with their families to beggary." [17] New York City was filled with the homeless and unemployed. In the early part of 1838, one-third of all the persons in New York City who subsisted by manual labor, were wholly or substantially without employment. No fewer than 10,000 persons were in utter poverty, and had no other means of surviving the winter than those afforded by the charity of neighbors. The almshouses and other public and charitable institutions overflowed with inmates, and 10,000 sufferers were still uncared for.

The prevailing system, as was pointed out even by the conventional and futile reports of legislative committees, was one inevitably calculated to fill the country with beggars, vagrants and criminals. This important fact was recognized, although in a remote way, by De Beaumont and De Tocqueville who, however, had no fundamental understanding of the deep causes, nor even of the meaning of the facts which they so accurately gathered. In their elaborate work on the penitentiary system in the United States, published in 1833, they set forth that it was their conclusion that in the four States, New York, Massachusetts, Connecticut and Pennsylvania, the prison system of which they had fully investigated, almost all of those convicted for crimes from 1800 to 1830 were convicted for offenses against property. In these four States, collectively, with a population amounting to one-third of that of the Union, no fewer than 91.29 out of every 100 convictions were for crimes against property, while only 8.66 of every 100 were for crimes against persons, and 4.05 of every 100 were for crimes against morals. In New York State singly, 93.56 of every 100 convictions were for crimes against property and 6.26 for crimes against persons.[18]

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[15] Abridgement of the Debates of Congress, from 1789 to 1856, xiii:426-427.

[16] In the course of this work, the word Government is frequently used to signify not merely the functions of the National Government, but those of the totality of Government, State and municipal, not less than National.

[17] Doc. No. 49 [New York] Senate Docs., 1838, Vol. ii.

PROPERTY AND CRIME

Thus we see, from these figures filled with such tragic eloquence, the economic impulse working at bottom, and the property system corrupting every form of society. But here a vast difference is to be noted. Just as in England the aristocracy for centuries had made the laws and had enforced the doctrine that it was they who should wield the police power of the State, so in the United States, to which the English system of jurisprudence had been transplanted, the propertied interests, constituting the aristocracy, made and executed the laws. De Beaumont and De Tocqueville passingly observed that while the magistrates in the United States were plebeian, yet they followed out the old English system; in other words, they enforced laws which were made for, and by, the American aristocracy, the trading classes.

The views, aims and interests of these classes were so thoroughly intrenched in law that the fact did not escape the keen notice of these foreign investigators. "The Americans, descendants of the English," they wrote, "have provided in every respect for the rich and hardly at all for the poor. . . . In the same country where the complainant is put in prison, the thief remains at liberty, if he can find bail. Murder is the only crime whose authors are not protected.[19] . . . The mass of lawyers see in this nothing contrary to their ideas of justice and injustice, nor even to their democratic institutions." [20]

THE SYSTEM—HOW IT WORKED

The system, then, frequently forced the destitute into theft and mendicancy. What resulted? Laws, inconceivably harsh and brutal, enacted by, and in behalf of, property rights were enforced with a rigor which seems unbelievable were it not that the fact is verified by the records of thousands of cases. Those convicted for robbery usually received a life sentence; they were considered lucky if they got off with five years. The ordinary sentence for burglary was the same, with variations. Forgery and grand larceny were punishable with long terms, ranging from five to seven years. These were the laws in practically all of the States with slight differences. But they applied to whites only. The Negro slave criminal had a superior standing in law, for the simple reason that while the whites were "free" labor, Negroes were property, and, of course, it did not pay to send slaves to prison. In Maryland and in most Southern States, where the slaveholders were both makers and executors of law, the slaves need have no fear of prison. "The slaves, as we have seen before, are not subject to the Penal Code of the whites; they are hardly ever sent to prison. Slaves who commit grave crimes are hung; those who commit heinous crimes not punishable with death are sold out of the State. In selling him care is taken that his character and former life are not known, *because it would lessen his price.*" Thus wrote De Beaumont and De Tocqueville; and in so writing they handed down a fine insight into the methods of that Southern propertied class which assumed so exalted an opinion of its honor and chivalry.

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[18] "On the Penitentiary System in the United States," etc., by G. De Beaumont and A. De Tocqueville, Appendix 17, Statistical Notes: 244-245.

[19] A complete error. Walling, for more than thirty years Superintendent of Police of New York City, wrote in his "Memoirs" that he never knew an instance of a rich murderer who was hanged or otherwise executed. And have we all not noted likewise?

[20] "On the Penitentiary System," etc., 184-185.

But the sentencing of the criminal was merely the beginning of a weird life of horror. It was customary at that period to immure prisoners in solitary confinement. There, in their small and reeking cells, filled with damps and pestilential odors, they were confined day after day, year after year, condemned to perpetual inactivity and silence. If they presumed to speak, they were brutally lashed with the whip. They were not allowed to write letters, nor to communicate with any member of their family. But the law condescended to allow a minister to visit them periodically in order to awaken their religious thoughts and preach to them how bad a thing it was to steal! Many were driven stark mad or died of disease; others dashed their brains out; while others, when finally released, went out into the world filled with an overpowering hatred of Society, and all its institutions, and a long-cherished thirst for vengeance against it for having thus so cruelly misused them.

Such were the laws made by the propertied classes. But they were not all. When a convict was released, the law allowed only three dollars to be given him to start anew with. "To starve or to steal is too often the only alternative," wrote John W. Edmonds, president of the New York board of prison inspectors in 1844.[21] If the released convict did steal he was nearly always sent back to prison for life.

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[21] Prison Association of New York, Annual Reports, 1844-46. It is characteristic of the origin of all of these charity associations, that many of the founders of this prison association were some of the very men who had profited by bribery and theft. Horace Greeley was actuated by pure humanitarian motives, but such incorporators as Prosper Wetmore, Ulshoeffer, and others were, or had been, notorious in lobbying by bribing bank charters through the New York Legislature.

Equally severe in their way were the laws applying to mendicants and vagrants. Six months or a year in the penitentiary or workhouse was the usual sentence. After the panic of 1837, crime, mendicancy, vagrancy and prostitution tremendously increased, as they always do increase after two events: war, which, when over, turns into civil life a large number of men who cannot get work; and panics which chaotically uproot industrial conditions and bring about widespread destitution. Although undeniably great frauds had been committed by the banking class, not a single one of that class went to jail. But large numbers of persons convicted of crimes against property, and great batches of vagrants were dispatched there, and also many girls and women who had been hurled by the iron force of circumstances into the horrible business of prostitution.

These were some of the conditions in those years. Let it not, however, be supposed that the traders, bankers and landowners were impervious to their own brand of sensibilities. They dressed fastidiously, went to church, uttered hallalujahs, gave dainty receptions, formed associations to dole out alms and—kept up prices and rents. Notwithstanding the general distress, rents in New York City were greater than were paid in any other city or village upon the globe.[22]

[22] "The New Yorker," Feb. 17, 1838.

Chapter V

THE MOMENTUM OF THE ASTOR FORTUNE

IT WAS at this identical time, in the panic of 1837, that Astor was phenomenally active in profiting from despair. "He added immensely to his riches," wrote a contemporaneous narrator, "by purchases of State stocks, bonds and mortgages in the financial crisis of 1836-37. He was a willing purchaser of mortgages from needy holders at less than their face; and when they became due, he foreclosed on them, and purchased the mortgaged property at the ruinous prices which ranged at that time." [1]

If his seven per cent was not paid at the exact time, he inflexibly made use of every provision of the law and foreclosed mortgages. The courts quickly responded. To lot after lot, property after property, he took full title. The anguish of families, the sorrow and suffering of the community, the blank despair and ruination which drove many to beggary and prostitution, others to suicide, all had no other effect upon him than to make him more eagerly energetic in availing himself of the misfortunes and the tragedies of others.

Now was observable the operation of the centripetal principle which applied to every recurring panic, namely, that panics are but the easy means by which the very rich are enabled to get possession of more and more of the general produce and property. The ranks of petty landowners were much thinned out by the panic of 1837 and the number of independent business men was greatly reduced; a considerable part of both classes were forced down into the army of wageworkers.

ASTOR'S WEALTH MULTIPLIES

Within a few years after the panic of 1837 Astor's wealth multiplied to an enormous extent. Business revived, values increased. It was now that immigration began to pour in heavily. In 1843 sixty thousand immigrants entered the port of New York. Four years later the number was 129,000 a year. Soon it rose to 300,000 a year; and from that time on kept on ever increasing. A large portion of these immigrants remained in New York City. Land was in demand as never before; fast and faster the city grew. Vacant lots of a few years before became congested with packed humanity; landlordism and slums flourished side by side, the one as a development of the other. The outlying farm, rocky and swamp lands of the New York City of 1812, with its 100,000 population became the thickly-settled metropolis of 1840, with 317,712 inhabitants and the well-nigh half-million population of 1850. Hard as the laborer might work, he was generally impoverished for the reason that successively rents were raised, and he had to yield up more and more of his labor for the simple privilege of occupying an ugly and cramped habitation.

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[1] "Reminiscences of John Jacob Astor," New York "Herald," March 31, 1848.

Once having fastened his hold upon the land, Astor never sold it. From the first, he adopted the plan, since religiously followed, for the most part, by his descendants, of leasing the land for a given number of years, usually twenty-one. Large tracts of land in the heart of the city he let lie unimproved for years while the city fast grew up all around them and enormously increased their value. He often refused to build, although there was intense pressure for land and buildings. His policy was to wait until the time when those whom necessity drove to use his land should come to him as supplicants and accept his own terms. For a considerable time no one cared to take his land on lease at his onerous terms. But, finally, such was the growth of population and business, that his land was indispensable and it was taken on leaseholds.

Astor's exactions for leaseholds were extraordinarily burdensome. But he would make no concessions. The lessee was required to erect his dwelling or business place at his own expense; and during the period of the twenty-one years of the lease, he not only had to pay rent in the form of giving over to Astor five or six per cent of the value of the land, but was responsible for all taxes, repairs and all other charges. When the ground lease expired the buildings became Astor's absolute property. The middleman landlord, speculative lessee or trading tenant who leased Astor's land and put up tenements or buildings, necessarily had to recoup himself for the high tribute that he had to pay to Astor. He did this either by charging the worker exorbitant rents or demanding excessive profits for his wares; in both of which cases the producers had finally to foot the bill.

EVASION OF ASSESSMENTS BY THE LANDLORDS

The whole machinery of the law Astor, in common with all other landlords, used ruthlessly in enforcing his rights as landlord or as lessor or lessee. Not a single instance has come down of any act of leniency on Astor's part in extending the time of tenants in arrears. Whether sickness was in the tenant's family or not, however dire its situation might be, out it was summarily thrown into the streets, with its belongings, if it failed in the slightest in its obligations.

While he was availing himself of the rigors of the law to oust tenants in arrears, he was constantly violating the law in evading assessments. But this practice was not by any means peculiar to Astor. Practically the whole propertied class did it, not merely once, but so continually that year after year official reports adverted to the fact. An Aldermanic report on taxation in 1846 showed that thirty million dollars' worth of assessable property escaped taxation every year, and that no *bona fide* efforts were made by the officials to remedy that state of affairs.[2] The state of morality among the propertied classes—those classes which demanded such harsh laws for the punishment of vagrants and poor criminals—is clearly revealed by this report made by a committee of the New York Board of Aldermen in 1847:

> For several years past the evasion of taxation on the part of those engaged in the business of the city, and enjoying the protection and benefits of its municipal government and its great public improvements, has engaged the attention of the city authorities, called forth reports of committees and caused application to the Legislature for relief, but the demands of justice and the dictates of sound policy have hitherto been entirely unheeded.

Necessarily they were unheeded, for the very obvious reason that it was this same class which controlled the administration of government. This class distorted the powers of government by calling either for the drastic enforcement of laws operating for its interests, or for the partial or entire immunity from other laws militating against its interests and profit. The report thus continued:

> Our rich merchants and heavy capitalists . . . find excuses to remove their families to nearby points and thus escape all taxation whatever, except for the premises that they occupy. *More than 2,000 firms engaged in business* in New York, whose capital is invested and used in New York, and with an aggregate personal property of $30,000,000, thus escape taxation.[3]

DEFRAUDING A FINE ART

The committee pointed out that at the taxable rate of 1 per cent the city was, in that way, being cheated out of the sum of $225,000 or $300,000 a year. These two thousand firms who every year defrauded the city were the eminently respectable and influential merchants of the city; most of them were devout church members; many were directors or members of charitable societies to relieve the poor; and all of them, with vast pretensions of superior character and ability, joined in opposing any movement of the working classes for better conditions and in denouncing those movements as hostile to the security of property and as dangerous to the welfare of society. Each of these two thousand firms year after year defrauded the city out of an average of $150 annually in that one item, not to mention other frauds. Yet not once was the law invoked against them. The taxation that they shirked fell upon the working class, in addition to all of those other myriad forms of indirect taxation which the workers finally had to bear. Yet, as we have noted before, if a poor man or woman stole property of the value of $25 or more, conviction carried with it a long term in prison for grand larceny. In every city—in Boston, Philadelphia, Cincinnati, Baltimore, New Orleans and in every other place—the same, or nearly the same, conditions prevailed. The rich evaded taxation; and if in the process it was necessary to perjure themselves, they committed perjury with alacrity. Astor was far from being an exception. He was but an illustrious type of the whole of his class.

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[2] Doc. No. 24, Proceedings of the [New York City] Board of Assistant Aldermen, xxix. The Merchants' Bank, for instance, was assessed in 1833 at $6,000; it had cost that sum twenty years before and in 1833 was worth three times as much.

[3] Proceedings of the [New York City] Board of Assistant Aldermen, xxix, Doc. 18.

But, how, in a Government theoretically democratic and resting on popular suffrage, did the propertied interests get control of Government functions? How were they able to sway the popular vote and make, or evade, laws?

By various influences and methods. In the first place, the old English ideas of the superiority of aristocracy had a profound effect upon American thought, customs and laws. For centuries these ideas had been incessantly disseminated by preachers, pamphleteers, politicians, political economists and editors. Where in England the concept applied mainly to rank by birth, in America it was adapted to the native aristocracy, the traders and landowners. In England it was an admixture of rank and property; in America, where no titles of nobility existed, it became exclusively a token of the propertied class. The people were assiduously taught in many open and subtle ways to look up to the inviolability of property, just as in the old days they had been taught to look humbly up to the majesty of the king. Propertied men, it was preached and admonished, represented the worth, stability, virtue and intelligence of the community. They were the solid, substantial men. What importance was to be attached to the propertyless? They, forsooth, were regarded as irresponsible and vulgar; their opinions and aspirations were held of small account.

HOW PUBLIC OPINION WAS MADE

The churches professed to preach to all; yet they depended largely upon men of property for contributions; and moreover the clergy, at least the influential of them, were propertied men themselves. The preachings of the colleges and the doctrines of the political economists corresponded precisely to the views the trading interests at different periods wanted taught. Many of the colleges were founded with funds contributed or bequeathed by traders. The newspapers were supported by the advertisements of the propertied class. The various legislative bodies were mainly, and the judicial benches wholly, recruited from the ranks of the lawyer class; these lawyers either had, or sought to have, the rich as clients;[4] few attorneys are overzealous for poor men's cases.

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[4] Many eminent lawyers, elected or appointed to high official or judicial office, were financially interested in corporations, and very often profited in dubious ways.

Still further, the lawyers were deeply impregnated, not with the conception of law as it might be, but as it had been handed down through the centuries. Encrusted creatures of precedent and self-interest, they thoroughly accepted the doctrine that in the making and enforcement of law their concern should be for the propertied interests. With few exceptions they were aligned with the propertied.

So that here were many influences all of which conspired to spread on every hand, and drill deep in the minds of all classes, often even of those who suffered so keenly by prevalent conditions, the idea that the propertied men were the substantial element. Consequently with this idea continuously driven into every stratum of society, it was not surprising that it should be embodied in thoughts, customs, laws and tendencies. Nor was it to be wondered at that when occasionally a proletarian uprising enunciated radical principles, these principles should seem to be abnormal and ultra-revolutionary. All society, for the most part, except a fragment of the working class, was enthralled by the spell of property.

THE SANCTITY OF PROPERTY

Out of this prevailing idea grew many of the interpretations and partial enforcements. A legislator, magistrate or judge might be the very opposite of venal, and yet be irresistibly impelled by the force of training and association to take the current view of the unassailable rights and superiority of property. It would be biased, in fact, ridiculous to say that the privileges and exemptions enjoyed by the rich were altogether the outcome of corruption by bribes. There is a much more subtle and far more effective and dangerous form of corruption. This is corruption of the mind. For innumerable centuries all government had proceeded, perhaps not avowedly, but in reality, upon the settled and consistent principle that the sanctity of property was superior to considerations of human life, and that a man of property could not very well be a criminal and a peril to the community. Under various disguises church, college, newspaper, politician, judge, all were expositors of this principle.

The people were drugged with laudations of property. But these were supplemented by other methods which added to their effectiveness. We have seen how after the Revolution the propertied classes withheld suffrage from those who lacked property. They feared that property would

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The case of Roger B. Taney, who, from 1836, was for many years, Chief Justice of the Supreme Court of the United States, is a conspicuous example. After he was appointed United States Secretary of the Treasury in 1833, the United States Senate passed a resolution inquiring of him whether he were not a stockholder in the Union Bank of Maryland, in which bank he had ordered public funds deposited. He admitted that he was, but asserted that he had obtained the stock *before* he had selected that bank as a depository of public funds. (See Senate Docs., First Session, 23rd Congress, Vol. iii, Doc. No. 238.) It was Taney, who as Chief Justice of the Supreme Court of the United States, handed down the decision, in the Dred Scott case, that Negro slaves, under the United States Constitution, were not eligible to citizenship and were without civil rights.

no longer be able to dominate Government. Gradually they were forced to yield to the popular demand and allow manhood suffrage. This seemed to them a new and affrighting force; if votes were to determine the personnel and policy of Government, then the propertyless, being in the majority, would overwhelm them eventually and pass an entirely new code of laws.

In one State after another, the propertied class were driven, after a prolonged struggle, to grant citizens a vote, whether they had property or not. In New York State unqualified manhood suffrage was adopted in 1822, but in other States it was more difficult to bring about this revolutionary change. The fundamental suffrage law of New Jersey, for instance, remained, for more than sixty years after the adoption of the Declaration of Independence, in accordance with an act passed by the Provincial Congress of New Jersey on July 2, 1776, two days before the adoption of the Declaration of Independence, or according to some authorities, on the very day of its adoption. Among other requirements this act (1 Laws, N. J. p. 4.) decreed that the voter must be "worth £50 proclamation money, clear estate within the colony." The fourth section of an act passed by the New Jersey Legislature in June, 1820 (1 Laws N. J. p. 741), expressly reenacted this same property qualification. By about the year 1840, however, nearly all the States had adopted manhood suffrage, so far as it applied to whites. The severest and most dramatic conflict took place in Rhode Island. In 1762 an act had been passed declaring that the possession of £40 was necessary to become qualified as a voter. This law continued in force in Rhode Island for more than eighty years. In the years 1811, 1819, 1824, 1829, 1832, and 1834 the workingmen (or the mechanics, as the official reports styled them) made the most determined efforts to have this property qualification abolished, but the propertied classes, holding the legislative power, declined to make any change. Under such a law it was easy for one-third of the total number of resident male adults to have the exclusive decisions in elections; the largest vote ever polled in Rhode Island was in the Presidential election of 1840, when 8,662 votes were cast, in a total adult male population of permanent resident citizens of about 24,000. The result of this hostility of the propertied classes was a rising in 1840 of the workingmen in what is slurringly misdescribed in conventional history as "Dorr's Rebellion"—an event the real history of which has not as yet been told. This movement eventually compelled the introduction in Rhode Island of suffrage without the property qualification.

How did the propertied classes meet this extension of suffrage throughout the United States?

CORRUPTION AT THE POLLS

A systematic corruption of the voters was now begun. The policy of bribing certain legislators to vote for bank, railroad, insurance company and other charters was extended to reach down into ward politics, and to corrupt the voters at the springs of power. With a part of the money made in the frauds of trade or from exactions for land, the propertied interests, operating at first by personal entry into politics and then through the petty politicians of the day, packed caucuses and primaries and bought votes at the polls. This was equally true of both city and rural communities. In many of the rural sections the morals of the people were exceedingly low, despite their church-going habits. The cities contained, as they always do contain, a certain quota of men, products of the industrial system, men of the slums and alleyways, so far gone in destitution or liquor that they no longer had manhood or principle. Along came the election funds of the traders, landholders and bankers to corrupt these men still further by the buying of their votes and the inciting of them to commit the crime of repeating at the polls. Exalted society and the slums began to work together; the money of the one purchased the votes of the other. Year after year this corruption fund increased until in the fall of 1837 the money raised in New York City by the bankers alone amounted to $60,000. Although this sum was meager compared to the enormous corruption funds which were employed in subsequent years, it was a sum which, at that time, could do great execution. Ignorant immigrants were persuaded by offerings of money to vote this way or that and to repeat their votes. Presently the time came when batches of convicts were brought from the prisons to do repeating, and overawe the polls in many precincts.[5]

As for that class of voters who could not be bribed and who voted according to their conceptions of the issues involved, they were influenced in many ways: by the partisan arguments of newspapers and of political speech-makers. These agencies of influencing the body politic were indirectly controlled by the propertied interests in one form or another. A virtual censorship was exercised by wealth; if a newspaper dared advocate any issue not approved by the vested interests, it at once felt the resentment of that class in the withdrawal of advertisements and of those privileges which banks could use or abuse with such ruinous effect.

POLITICAL SUBSERVIENCY

Finally, both of the powerful political parties were under the domination of wealth; not, to be sure, openly so, but insidiously. Differences of issue there assuredly were, but these issues did not in any way affect the basic structure of society, or threaten the overflow of any of the fundamental privileges held by the rich. The political campaigns, except that later contest which decided the eventual fate of chattel slavery, were, in actuality, sham battles. Never were the masses so enthusiastic since the campaign of 1800 when Jefferson was elected, as they were in 1832 when they sided with President Jackson in his fight against the United States Bank. They considered this contest as one between the people, on the one side, and, on the other, the monied aristocracy of the country. The United States Bank was effaced; but the State banks promptly took over that share of the exploitative process so long carried on by the United States Bank, and the people, as has already been explained, were no better off than they were before. One set of ruling capitalists had been put down only to make way for another.

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[5] These frauds at the polls went on, not only in every State but even in such newly organized Territories as New Mexico. Many facts were brought out by contestants before committees of Congress. (See "Contested Elections," 1834 to 1865, Second Session, 38th Congress, 1864-65, Vol. v. Doc. No. 57.) In the case of Monroe vs. Jackson, in 1848, James Monroe claimed that his opponent was illegally elected by the votes of convicts and other non-voters brought over from Blackwell's Island. The majority of the House Elections Committee reported favoring Monroe's being seated. Aldermanic documents tell likewise of the same state of affairs in New York. (See the author's "History of Tammany Hall.") Similar practices were common in Philadelphia, Baltimore and other cities, and in country townships.

Both parties received the greater part of their campaign funds from the men of large property and from the vested corporations or other similar interests. Astor, for example, was always a liberal contributor, now to the Whig party and again to the Democratic. In return, the politicians elected by those parties to the legislature, the courts or to administrative offices usually considered themselves under obligations to that element which financed their campaigns and which had the power of defeating their reëlection by the refusal of funds or by suporting the opposite party. The masses of the people were simply pawns in these political contests, yet few of them understood that all the excitement, partisan activity and enthusiasm into which they threw themselves, generally had no other significance than to enchain them still faster to a system whose beneficiaries were continuously getting more and more rights and privileges for themselves at the expense of the people, and whose wealth was consequently increasing by precipitate bounds.

ASTOR BECOMES AMERICA'S RICHEST MAN

Astor was now the richest man in America. In 1847 his fortune was estimated at fully $20,000,000. In all the length and breadth of the United States there was no man whose fortune was within even approachable distance of his. With wonderment his contemporaries regarded its magnitude. How great it ranked at that period may be seen by a contrast with the wealth of other men who were considered very rich.

In 1847 and 1852 a pamphlet listing the number of rich men in New York was published under the direction of Moses Yale Beach, publisher of the New York Sun. The contents of this pamphlet were vouched for as strictly accurate.[6] The pamphlet showed that there were at that time perhaps twenty-five men in New York City who ranked as millionaires. The most prominent of these were Peter Cooper with an accredited fortune

[6] "The Wealth and Biography of the Wealthy Citizens of the City of New York." By Moses Yale Beach.

of $1,000,000; the Goelets, $2,000,000; the Lorillards, $1,000,000; Moses Taylor, $1,000,000; A. T. Stewart, $2,000,000; Cornelius Vanderbilt, $1,500,000, and William B. Crosby, $1,500,000. There were a few fortunes of $500,000 each, and several hundred ranging from $100,000 to $300,000. The average fortunes graded from $100,000 to $200,000. A similar pamphlet published in Philadelphia showed that that city contained a bevy of nine millionaires, only two of whose individual fortunes exceeded $1,000,000.[7] No facts are available as to the private fortunes in Boston and other cities. Occasionally the briefest mention would appear in the almanacs of the period of the death of this or that rich man. There is a record of the death of Alexander Milne, of New Orleans, in 1838 and of his bequest of $200,000 to charitable institutions, and of the death of M. Kohne, of Charleston, S. C., in the same year with the sole fact that he left $730,000 in charitable bequests. In 1841 there appeared a line that Nicholas Girod, of New Orleans, died leaving $400,000 to "various objects," and a scant notice of the death of William Bartlett, of Newburyport, Mass., coupled with the fact that he left $200,000 to Andover Seminary. It is entirely probable that none of these men was a millionaire; otherwise the fact would have been brought out conspicuously. Thus, when Pierre Lorillard, a New York snuff maker, banker, and landholder, died in 1843, his fortune of $1,000,000 or so, was considered so unusual that the word millionaire, newly coined, was italicized in the rounds of the press. Similarly in the case of Jacob Ridgeway, Philadelphia millionaire, who died in the same year.

The passing away now of a man worth a mere million, calls forth but a trifling, passing notice. Yet when Henry Brevoort died in New York City in 1848, his demise was accounted an event in the annals of the day. His property was estimated at a valuation of about $1,000,000, the chief source of which came from the ownership of eleven acres of land in the heart of the city. Originally his ancestors cultivated a truck farm and ran a dairy on this land, and daily in the season carried vegetables, butter and milk to market. Brevoort, the newspaper biography read, was a "man of fine taste in painting, literature and intellectual pursuits of every kind. He owned a large property in the fashionable part of the city, where he erected a splendid house, elegantly adorned and furnished in the Italian style; for he was quite a connoisseur in the arts."

It can be at once seen in what transcendent degree Astor's wealth towered far above that of every other rich man in the United States.

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[7] "Wealth and Biography of the Wealthy Citizens of Philadelphia." By a Member of the Philadelphia Bar, 1845.

The misconception which often exists even among those who profess the deepest scholarship and the most certainty of opinion as to the development of men of great wealth was instanced by a misstatement of Dr. Felix Adler leader of the New York Society for Ethical Culture. In an address on "Anti-Democratic Tendencies in American Life" delivered some years ago, Dr. Adler asserted: "Before the Civil War there were three millionaires; now there are 4,000." The error of this assertion is evident.

ASTOR'S TOWERING WEALTH

His fortune was the colossus of the times; an object of awe to all wealth-strivers. Necessary as manufactures were in the social and industrial system, they, as yet, occupied a strikingly subordinate and inferior position as an agency in accumulating great fortunes. Statistics issued in 1844 of manufactures in the United States showed a total gross amount of $307,196,844 invested. Astor's wealth, then, was one-fifteenth of the whole amount invested throughout the territory of the United States in cotton and wool, leather, flax and iron, glass, sugar, furniture, hats, silks, ships, paper, soap, candles, wagons—in every kind of goods which the demands of civilization made indispensable.

The last years of this magnate were passed in an atmosphere of luxury, laudation and power. On Broadway, by Prince street, he built a pretentious mansion, and adorned it with works of art which were more costly than artistic. Of medium height, he was still quite stout, but his once full, heavy face and his deep set eyes began to sag from the encroachments of extreme age. He could be seen every week day poring over business reports at his office on Prince street—a one-story, fireproof brick building, the windows of which were guarded by heavy iron bars. The closing weeks of his life were passed at his country seat at Eighty-eighth street and the East River. Infirm and debilitated, so weak and worn that he was forced to have exercise administered by being tossed in a blanket, he yet retained his faculty of vigilantly scrutinizing every arrear on the part of tenants, and he compelled his agent to render daily accounts. Parton relates this story:

> One morning this gentleman [the agent] chanced to enter his room while he was enjoying his blanket exercise. The old man cried out from the middle of his blanket:
>
> "Has Mrs. ——— paid that rent yet?"
>
> "No," replied the agent.
>
> "Well, but she must pay it," said the poor old man.
>
> "Mr. Astor," rejoined the agent, "she can't pay it now; she has had misfortunes, and we must give her time."
>
> "No, no," said Astor; "I tell you she can pay it and she will pay it. You don't go the right way to work with her."
>
> The agent took leave, and mentioned the anxiety of the old gentleman with regard to this unpaid rent to his son, who counted out the requisite sum, and told the agent to give it to the old man, as if he had received it from the tenant.
>
> "There," exclaimed Mr. Astor when he received the money. "I told you that she would pay it if you went the right way to work with her."[8]

THE DEATH OF JOHN JACOB ASTOR

So, to the last breath, squeezing arrears out of tenants; his mind focused upon those sordid methods which had long since become a religion to him; contemplating the long list of his possessions with a radiant exaltation; so Astor passed away. He died on March 29, 1848, aged eighty-four years, four months; and almost as he died, the jubilant shouts of the enthusiastic workingmen's processions throughout the city resounded high and often. They were celebrating the French Revolution of 1848, intelligence of which had just arrived—a Revolution brought about by the blood of the Parisian workingmen, only to be subsequently stifled by the stratagems of the bourgeoisie and turned into the corrupt despotism of Napoleon III.

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[8] Parton's "Life of John Jacob Astor":80-81.

The old trader left an estate valued at about $20,000,000. The bulk of this descended to William B. Astor. The extent of wealth disclosed by the will made a profound impression. Never had so rich a man passed away; the public mind was not accustomed to the sight of millions of dollars being owned by one man. One New York newspaper, the "Journal," after stating that Astor's personal estate amounted to seven or nine million dollars, and his real estate to perhaps more, observed: "Either sum is quite out of our small comprehension; and we presume that with most men, the idea of one million is about as large an item as that of any number of millions." An entirely different and exceptional view was taken by James Gordon Bennett, owner and editor of the New York "Herald;" Bennett's comments were the one distinct contrast to the mass of flowery praise lavished upon Astor's memory and deeds. He thus expressed himself in the issue of April 5, 1848:

> We give in our columns an authentic copy of one of the greatest curiosities of the age—the will of John Jacob Astor, disposing of property amounting to about twenty million dollars, among his various descendants of the first, second, third, and fourth degrees. . . . If we had been an associate of John Jacob Astor . . . the first idea that we should have put into his head would have been that *one-half of his immense property—ten millions at least—belonged to the people of the city of New York.* During the last fifty years of the life of John Jacob Astor, his property has been augmented and increased in value by the aggregate intelligence, industry, enterprise and commerce of New York, fully to the amount of one-half its value. The farms and lots of ground which he bought forty, twenty and ten and five years ago, have all increased in value entirely by the industry of the citizens of New York. Of course, it is plain as that two and two make four, that the half of his immense estate, in its actual value, has accrued to him by the industry of the community.

THE WONDER OF THE AGE

The analyst might well be tempted to smile at the puerility of this logic. If Astor was entitled to one-half of the value created by the collective industry of the community, why was he not entitled to all? Why make the artificial division of one-half? Either he had the right to all or to none. But this editorial, for all its defects of reasoning, was an unusual expression of newspaper opinion, although of a single day, and was smothered by the general course of that same newspaper in supporting the laws and institutions demanded by the commercial aristocracy.

So the arch multimillionaire passed away, the wonder and the emulation of the age. His friends, of whom he had a few, deeply mourned him, and his bereaved family suffered a deep loss, for, it is related, he was a kind and indulgent husband and father. He left a legacy of $400,000 for the establishment of the Astor Library; for this and this alone his memory has been preserved as that of a philanthropist. The announcement of this legacy was hailed with extravagant joy; yet such is the value of meretricious glory and the ideals of present society, that none has remarked that the proceeds of one year's pillage of the Indians were more than sufficient to found this much-praised benevolence. Thus does society blind itself to the origin of the fortunes, a fraction of which goes to gratify it with gifts. The whole is taken from the collective labor of the people, and then a part is returned in the form of institutional presents which are in reality bits of charity bestowed upon the very people from whose exploitation the money has come. Astor no doubt thought that in providing for a public library, he was doing a service to mankind; and he must be judge, not according to the precepts and demands of the scarcely heard working class of his day with its altruistic aspirations, nor of more advanced present ideas, but by the standards of his own class, that commercial aristocracy which arrogated to itself superiority of aims and infallibility of methods.

He died the richest man of his day. But vast fortunes could not be heaped up by him and his contemporaries without having their corresponding effect upon the mass of the people. What was this effect? At about the time that he died there was in New York City one pauper to every one hundred and twenty-five inhabitants and one person in every eighty-three of the population had to be supported at the public expense.[9]

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[9] Proceedings of the Board of Assistant Aldermen, xxix, Doc. No. 24. This poverty was the consequence, not of any one phase of the existing system, nor of the growth of any one fortune, but resulted from the whole industrial system. The chief form of the exploitation of the worker was that of his capacity as a producer; other forms completed the process. A considerable number of the paupers were immigrants, who, fleeing from exploitation at home, were kept in poverty in America, "the land of boundless resources." The statement often made that there were no tramps in the United States before the Civil War is wholly incorrect.

Chapter VI

The Propulsion of the Astor Fortune

At the time of his father's death, William B. Astor, the chief heir of John Jacob Astor's twenty million dollars, was fifty-six years old. A tall, ponderous man, his eyes were small, contracted, with a rather vacuous look, and his face was sluggish, and unimpressionable. Extremely unsocial and taciturn, he never betrayed emotion and generally was destitute of feeling. He took delight in affecting a carelessly dressed, slouchy appearance as though deliberately notifying all concerned that one with such wealth was privileged to ignore the formulas of punctilious society. In this slovenly, stoop-shouldered man with his cold, abstracted air no one would have detected the richest man in America.

Acquisitiveness was his most marked characteristic. Even before his father's death he had amassed a fortune of his own by land speculations and banking connections, and he had inherited $500,000 from his uncle Henry, a butcher on the Bowery. It was said in 1846 that he possessed an individual fortune of $5,000,000. During his father's last years he had been president of the American Fur Co., and he otherwise knew every detail of his father's multifarious interests and possessions.

WILLIAM B. ASTOR'S PARSIMONY

He lived in what was considered a fine mansion on Lafayette place, adjoining the Astor Library. The sideboards were heaped with gold plate, and polyglot servants in livery stood obediently by at all times to respond to his merest nod. But he cared little for this show, except in that it surrounded him with an atmosphere of power. His frugality did not arise from wise self-control, but from his parsimonious habits. He scanned and revised the smallest item of expense. Wine he seldom touched, and the average merchant spent more for his wardrobe than he did. At a time when the rich despised walking and rode in carriages drawn by fast horses, he walked to and from his business errands. This severe economy he not only practiced in his own house, but he carried it into every detail of his business. Arising early in the morning, he attended to his private correspondence before breakfast. This meal was served punctually at 9 o'clock. Then he would stride to his office on Prince street. A contemporary writer says of him:

> He knew every inch of real estate that stood in his name, every bond, contract and lease. He knew what was due when leases expired, and attended per-

> sonally to the matter. No tenants could expend a dollar, or put in a pane of glass without his personal inspection. His father sold him the Astor House [an hotel] for the sum of one dollar. The lessees were not allowed to spend one cent on the building, without his supervision and consent, unless they paid for it themselves.
>
> In the upper part of New York hundreds of lots can be seen enclosed by dilapidated fences, disfigured by rocks and waste material, or occupied as [truck] gardens. They are eligibly located, many of them surrounded by a fashionable population. . . . Mr. Astor owned most of these corner lots but kept the corners for a rise. He would neither sell nor improve them. . . . He knew that no parties can improve the center of a block without benefiting the corners.
>
> He was sombre and solitary, dwelt alone, mixed little with general society, gave little and abhorred beggars.[1]

It was a common saying of him "when he paid out a cent he wanted a cent in return;" and as to his abject meannesses we forbear relating the many stories of him. He pursued, in every respect, his father's methods in using the powers of city government to obtain valuable water grants for substantially nothing, and in employing his surplus wealth for further purchases of land and in investments in other profitable channels. No scruples of any kind did he allow to interfere with his constant aim of increasing his fortune.

This corruption was by no means one existing despite him and his class, and one that was therefore accepted grudgingly as an irremediable evil. Far from it. Corrupt government was welcomed by the landholding, trading and banking class, for by it they could secure with greater facility the perpetual rights, franchises, privileges and the exemptions which were adapted to their expanding aims and riches. By means of it they were not only enabled to pile up greater and greater wealth, but to set themselves up in law as a conspicuously privileged body, distinct from the mass of the people.

THE PURCHASE OF LAWS

Publicly they might pretend a proper and ostentatious horror of corruption. Secretly, however, they quickly dispensed with what were to them idle dronings of political cant. As capitalists they ascribed their success to a rigid application and practicality; and being practical they went about purchasing laws by the most short-cut and economical method. They had the money; the office-holders had the votes and governmental power; consequently the one bought the other. It was a systematic corruption springing entirely from the propertied classes; they demanded it, were responsible for it and kept it up. It worked like an endless chain; the land, charters, franchises and privileges corruptly obtained in one set of years yielded vast wealth, part of which was used in succeeding years in getting more law-created sources of wealth. If professional politicians had long since got into the habit of expecting to be bought, it was because the landholders, traders and bankers had accustomed them to the lucrative business of getting bribes in return for extraordinary laws.

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[1] Matthew Hale Smith in "Sunshine and Shadow in New York," 186-187.

Since the men of wealth, or embryo capitalists who by hook or crook raised the funds to bribe, were themselves ready at all times to buy laws in common councils, legislatures and in Congress, it naturally followed that each of them was fully as eager to participate in the immense profits accruing from charters, franchises or special grants obtained by others of their own class. They never questioned the means by which these laws were put through. They did not care. The mere fact that a franchise was put through by bribery was a trite, immaterial circumstance. The sole, penetrating question was whether it were a profitable project. If it were, no man of wealth hesitated in investing his money in its stock and in sharing its revenue. It could not be expected that he would feel moral objections, even the most attenuated, for the chances were that while he might not have been a party to the corrupt obtaining of this or that particular franchise, yet he was involved in the grants of other special endowments. Moreover, money making was not built on morality; its whole foundation and impetus lay in the extraction of profits. Society, it is true, professed to move on lofty moral planes, but this was a colossal pretension and nothing less.

THE INVERTED NATURE OF SOCIETY

Society—and this is a truth which held equally strong of succeeding decades—was incongruously inverted. In saying this, the fact should not be ignored that the capitalist, as applied to the man who ran a factory or other enterprise, was an indigenous factor in that period, even although the money or inventions by which he was able to do this, were often obtained by fraud. Every needed qualification must be made for the time and the environment, and there should be neither haste in indiscriminately condemning nor in judging by the standards or maturity of later generations.

Yet, viewing society as a whole and measuring the results by the standards and ideas then prevailing, it was undoubtedly true that those who did the world's real services were the lowly, despoiled and much discriminated-against mass of mankind. Their very poverty was a crime, for they were plundered and expropriated, either by the ruling classes of their own country or of the United States, the laws regarded them as semi-criminals, or, at best, as excrescences to whom short shrift was to be given. They made the clothes, the shoes, hats, shirts, underwear, tools, and all the other necessities that mankind required; they tilled the ground and produced its food. Curiously enough, those who did these indispensable things were condemned by the encompassing system to live in the poorest and meanest habitations and in the most precarious uncertainty. When sick, disabled or superannuated they were cast aside by the capitalist class as so much discarded material to eke out a prolonged misery of existence, to be thrown in penal institutions or to starve. Substantially everywhere in the United States, vagrancy laws were in force which decreed that an able-bodied man out of work and homeless must be adjudged a vagrant and imprisoned in the workhouse or penitentiary. The very law-making institutions that gave to a privileged few the right to expropriate the property of the many, drastically plunged the many down still further after this process of spoliation, like a man who is waylaid and robbed and then arrested and imprisoned because he has been robbed.

On the other hand, the class which had the money, no matter how that money was gotten, irrespective of how much fraud or sacrifice of life attended its amassing, stood out with a luminous distinctness. It arrogated to itself all that was superior, and it exacted, and was invested with, a lordly deference. It lived in the finest mansions and laved in luxuries. Surrounded with an indescribably pretentious air of importance, it radiated tone, command and prestige.

But, such was the destructive, intestinal character of competitive warfare, that even this class was continually in the throes of convulsive struggles. Each had to fight, not merely to get the wealth of others, but to keep what he already possessed. If he could but frustrate the attempts of competitors to take what he had, he was fortunate. As he preyed upon the laborer, so did the rest of his class seek to prey upon him. If he were less able, less cunning, or more scrupulous than they, his ruination was certain. It was a system in which all methods were gauged not by the best, but by the worst. Thus it was that many capitalists, at heart good men, kindly disposed and innately opposed to duplicity and fraud, were compelled to adopt the methods of their more successful but thoroughly unprincipled competitors. And, indeed, realizing the impregnating nature of example and environment, one cannot but conclude that the tragedies of the capitalist class represented so many victims of the competitive system, the same as those among the wage workers, although in a very different way. Yet in this bewildering jumble of fortune-snatching, an extraordinary circumstance failed to impress itself upon the class which took over to itself the claim to superior intelligence and virtue. The workers, for the most part, instinctively, morally and intellectually, knew that this system was wrong, a horror and a nightmare. But even the capitalist victims of the competitive struggle, which awarded supremacy to the knave and the trickster, went to their doom praising it as the only civilized, rational system and as unchangeable and even divinely ordained.

THE PREVAILING CORRUPTION

If corruption was flagrant in the early decades of the nineteenth century, it was triply so in the middle decades. This was the period of all periods when common councils all over the country were being bribed to give franchises for various public utility systems, and legislatures and Congress for charters, land, money, and laws for a great number of railroad and other projects. The numerous specific instances cannot be adverted to here; they will be described more appropriately in subsequent parts of this work. For the present, let this general and sweeping observation suffice.

The important point which here obtrudes itself is that in every case, without an exception, the wealth amassed by fraud was used in turn to put through more frauds, and that the net accumulation of these successive frauds is seen in the great private fortunes of to-day. We have seen how the original Astor fortune was largely derived by the use of both force and fraud among the Indians, and by the exercise of cunning and corruption in the East. John Jacob Astor's immense wealth descends mostly to William B. Astor. In turn, one of the third generation, John Jacob Astor, II representing his father, William B. Astor, used a portion of this wealth in becoming a large stockholder in the New York Central Railroad, and in corrupting the New York Legislature still further to give enormously valuable grants and special laws with incalculably valuable exemptions to that railroad. John Jacob Astor, II never built a railroad in his life; he knew nothing about railroads; but by virtue of the possession of large surplus wealth, derived mainly from rents he was enabled to buy enough of the stock to make him rank as a large stockholder. And, then, he with the other stockholders, bribed the Legislature for the passage of more laws which enormously increased the value of their stock.

It is altogether clear from the investigations and records of the time that the New York Central Railroad was one of the most industrious corrupters of legislatures in the country, although this is not saying much in dealing with a period when every State Legislature, none excepted, was making gifts of public property and of laws in return for bribes, and when Congress, as was proved in official investigations, was prodigal in doing likewise.[2]

In the fourteen years up to 1867, the New York Central Railroad had spent upward of a half million dollars in buying laws at Albany and in "protecting its stockholders against injurious legislation." As one of the largest stockholders in the road John Jacob Astor, Jr., certainly must have been one of the masked parties to this continuous saturnalia of corruption. And the corruption, bad as it was, that took place before 1867, was rather insignificant compared to the eruption in the years 1868 and 1869. And here is to be noted a significant episode which fully reveals how the capitalist class is ever willing to turn over the managing of its property to men of its own class who have proved themselves masters of the art either of corrupting public bodies or of making that property yield still greater profits.

[2] See Part III of this work, "The Great Railroad Fortunes."

BRIBERY AND BUSINESS

In control of the New York and Harlem Railroad, Cornelius Vanderbilt had showed what a remarkably successful magnate he was in deluging legislature and common councils with bribe money and in getting corrupt gifts of franchises and laws worth many hundreds of millions of dollars. For a while the New York Central fought him; it bribed where he bribed; when he intimidated, it intimidated. But Vanderbilt was, by far, the abler of the two contending forces. Finally the stockholders decided that he was the man to run their system; and on Nov. 12, 1867, John Jacob Astor, II, Edward Cunard, John Steward and others, representing more than thirteen million dollars of stock, turned the New York Central over to Vanderbilt's management on the ground, as their letter set forth, that the change would result in larger dividends to the stockholders and (this bit of cant was gratuitously thrown in) "greatly promote the interests of the public." In closing, they wrote to Vanderbilt of "your great and acknowledged abilities." No sooner had Vanderbilt been put in control than these abilities were preëminently displayed by such an amazing reign of corruption and exaction that even a public cynically habituated to bribery and arbitrary methods was profoundly stirred.[3]

It was in these identical years that the Astors, the Goelets, the Rhinelanders and many other landholders and merchants were getting more water grants by collusion with the various corrupt city administrations On June 14, 1850, William B. Astor got a grant of land under water for the block between Twelfth and Thirteenth streets, on the Hudson River, at the ridiculous price of $13 per running foot.[4] William E. Dodge likewise got a grant on the Hudson River. Public opinion severely condemned this virtual giving away of city property, and a special committee of the Board of Councilmen was moved to report on May 15, 1854, that "the practice of selling city property, except where it is in evidence that it cannot be put to public use, is an error in finance that has prevailed too frequently; indeed the experience of about eleven years has demonstrated that sales of property usually take place about the time it is likely to be needed for public uses, or on the eve of a rise in value. Every pier, bulkhead and slip should have continued to be property of the city . . . ."[5]

WATER GRANTS FROM TWEED

But when the Tweed "ring" came into complete power, with its unbridled policy of accommodating those who were willing to pay bribes enough, the landowners and merchants rushed to get water grants among other special privileges. On Dec. 1865, William C. Rhinelander was presented with a grant of land under water from Ninety-first to Ninety-fourth street, East River.[6] On March 2, 1867, Peter Goelet obtained from the Sinking Fund Commissioners a grant of land under water on the East River in front of land owned by him between Eighty-first street and Eighty-second street. The price asked was the insignificant one of $75 a running foot.[7] The officials who made this grant were the Controller, Richard B. Connolly, and the Street Commissioner, George W. McLean, both of whom were arch accomplices of William M. Tweed and were deeply involved in the gigantic thefts of the Tweed ring. The same band of officials gave to Mrs. Laura A. Delano, a daughter of William B. Astor, a grant from Fifty-fifth to Fifty-seventh street, Hudson river, at $200 per running foot, and on May 21, 1867, a grant to John Jacob Astor, Jr., of lands under water between Forty-ninth and Fifty-first streets, Hudson River, for the trivial sum of $75 per running foot. Many other grants were given at the same time. The public, used as it was to corrupt government, could not stomach this granting of valuable city property for virtually nothing. The severe criticism which resulted caused the city officials to bend before the storm, especially as they did not care to imperil their other much greater thefts for the sake of these minor ones. Many of the grants were never finally issued; and after the Tweed "ring" was expelled from power, the Commissioners of the Sinking Fund on Feb. 28, 1882, were compelled by public agitation to rescind most of them.[8] The grant issued to Rhinelander in 1865, however, was one of those which were never rescinded.

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[3] See Part III, Chapters iv, v, etc.

[4] Proceedings of the [New York City] Commissioners of the Sinking Fund, 1844, 1865:213.

[5] Doc. No. 46, Documents of the [New York City] Board of Aldermen, xxi Part II.

During its control of the city administration from 1868 to 1871 alone, the Tweed "ring" stole directly from the city and county of New York a sum estimated from $45,000,000 to $200,000,000. Henry F. Taintor, the auditor employed by Andrew H. Green to investigate Controller Connolly's books, testified before the special Aldermanic Committee in 1877, that he had estimated the frauds during those three and a half years at from $45,000,000 to $50,000,000.[9] The committee, however, evidently thought that the thefts amounted to $60,000,000; for it asked Tweed during the investigation whether they did not approximate that sum, to which question he gave no definite reply. But Mr. Taintor's estimate, as he himself admitted, was far from complete even for the three and a half years. Matthew J. O'Rourke, who was responsible for the disclosures, and who made a remarkably careful study of the "ring's" operations, gave it as his opinion that from 1869 to 1871 the "ring" stole about $75,000,000 and that he thought the total stealings from about 1865 to 1871, counting vast issues of fraudulent bonds, amounted to $200,000,000.

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[6] Proceedings of the [New York City] Commissioners of the Sinking Fund, 1844-1865:734.

[7] Ibid: 865.

[8] Proceedings of the [New York City] Sinking Fund Commission, 1882:2020-2023.

[9] Documents of the [New York City] Board of Aldermen, 1877. Part II. No. 8.

PROFITING FROM GIGANTIC THEFTS

Every intelligent person knew in 1871 that Tweed, Connolly and their associates were colossal thieves. Yet in that year a committee of New York's leading and richest citizens, composed of John Jacob Astor, II. Moses Taylor, Marshall O. Roberts, E. D. Brown, George K. Sistare and Edward Schell, were induced to make an examination of the controller's books and hand in a most eulogistic report, commending Connolly for his honesty and his faithfulness to duty. Why did they do this? Because obviously they were in underhand alliance with those political bandits, and received from them special privileges and exemptions amounting in value to hundreds of millions of dollars. We have seen how Connolly made gifts of the city's property to this class of leading citizens. Moreover, a corrupt administration was precisely what the rich wanted, for they could very conveniently make arrangements with it to evade personal property taxation, have the assessments on their real estate reduced to an inconsiderable sum, and secure public franchises and rights of all kinds.

There cannot be the slightest doubt that the rich, as a class, were eager to have the Tweed régime continue. They might pose as fine moralists and profess to instruct the poor in religion and politics, but this attitude was a fraud; they deliberately instigated, supported, and benefited by, all of the great strokes of thievery that Tweed and Connolly put through. Thus to mention one of many instances, the foremost financial and business men of the day were associated as directors with Tweed in the Viaduct Railroad. This was a project to build a railroad on or above the ground *on any New York City street.* One provision of the bill granting this unprecedentedly comprehensive franchise compelled the city to take $5,000,000 of stock; another exempted the company property from taxes or assessments. Other subsidiary bills allowed for the benefit of the railroad the widening and grading of streets which meant a "job" costing from $50,000,000 to $60,000,000.[10] This bill was passed by the Legislature and signed by Tweed's puppet, Governor Hoffman; and only the exposure of the Tweed régime a few months later prevented the complete consummation of this almost unparalleled steal.

Considering the fact that the richest and most influential and respectable men were direct allies of the Tweed clique, it was not surprising that men such as John Jacob Astor, II, Moses Taylor, Edward Schell and company were willing enough to sign a testimonial certifying to Controller Connolly's honesty. The Tweed "ring" supposed that a testimonial signed by these men would make a great impression upon the public. Yet, stripping away the halo which society threw about them simply because they had wealth, these rich citizens themselves were to be placed in even a lower category than Tweed, on the principle that the greater the pretension, the worse in its effect upon society is the criminal act. The Astors deprived the city of enormous sums in real estate and personal property taxation; Moses Taylor likewise did so, as was clearly brought out by a Senate Investigating Committee in 1890; Roberts had been implicated in great swindles during the Civil War; and as for Edward Schell, he, by collusion with corrupt officials, compelled the city to pay exorbitant sums for real estate owned by him which the city needed for public purposes. And further it should be pointed out that Tweed, Connolly and Sweeny were but vulgar political thieves who retained only a small part of their thefts. Tweed died in prison quite poor; even the very extensive area of real estate that he bought with stolen money vanished, one part of it going in lieu of counsel fees to one of his lawyers, Elihu Root, United States Secretary of State under Theodore Roosevelt.[11] Connolly fled abroad with $6,000,000 of loot and died there, while Sweeny settled with the city for an insignificant sum. The men who really profited directly or indirectly by the gigantic thefts of money and the franchise, tax-exemption, and other measures put through the legislature or common council were men of wealth in the background, who thereby immensely increased their riches and whose descendants now possess towering fortunes and bear names of the highest "respectability."[12]

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[10] New York Senate Journal, 1871:482-83.

The original money of the landholders came from trade; and then by a combination of cunning, bribery, and a moiety of what was considered legitimate investment, they became the owners of immense tracts of the most valuable city land. The rentals from these were so great that continuously more and more surplus wealth was heaped up. This surplus wealth, in slight part, went to bribe representative bodies for special laws giving them a variety of exclusive property, and another part was used in buying stock in various enterprises the history of which reeked with corruption.

From being mere landholders whose possessions were confined mainly to city land, they became part owners of railroad, telegraph, express and other lines reaching throughout the country. So did their holdings and wealth-producing interests expand by a cumulative and ever-widening process. The prisons were perennially filled with convicts, nearly all of whom had committed some crime against property, and for so doing were put in chains behind heavy bars, guarded by rifles and great stone walls. But the men who robbed the community of its land and its railroads (most of which latter were built with *public* land and money) and who defrauded it in a thousand ways, were, if not morally exculpated, at least not molested, and were permitted to retain their plunder, which, to them, was the all-important thing. This plunder, in turn, became the basis for the foundation of an aristocracy which in time built palaces, invented impressive pedigrees and crests and coats-of-arms, intermarried with European titles, and either owned or influenced newspapers and journals which taught the public how it should think and how it should act. It is one thing to commit crimes *against* property, and a vastly different thing to commit crimes *in behalf* of property. Such is the edict of a system inspired by the sway of property.

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[11] See Exhibits Doc. No. 8, Documents of the [New York City] Board of Aldermen, 1877.

[12] For a full acount of the operations of the Tweed régime see the author's "History of Tammany Hall."

RENTALS FROM DISEASE AND DEATH

But the sources of the large rentals that flowed into the exchequers of the landlords—what were they? Where did these rents, the volume of which was so great that the surplus part of them went into other forms of investments, come from? Who paid them and how did the tenants of these mammoth landlords live?

A considerable portion came from business buildings and private residences on much of the very land which New York City once owned and which was corruptly squirmed out of municipal ownership. For the large rentals which they were forced to pay, the business men recouped themselves by marking up the prices of all necessities. Another, and a very preponderable part, came from tenement houses. Many of these were also built on land filched from the city. And such habitations! Never before was anything seen like them. The reports of the Metropolitan Board of Health for 1866, 1867 and succeeding years revealed the fact that miles upon miles of city streets were covered with densely populated tenements, where human beings were packed in vile rooms, many of which were dark and unventilated and which were pestilential with disease and overflowed with deaths. In its first report, following its organization, the Metropolitan Board of Health pointed out:

> The first, and at all times the most prolific cause of disease, was found to be the very insalubrious condition of most of the tenement houses in the cities of New York and Brooklyn. These houses are generally built without any reference to the health and comfort of the occupants, but simply with a view to economy and profit to the owner. They are almost invariably overcrowded, and ill-ventilated to such a degree as to render the air within them constantly impure and offensive.

Here follows a mass of nauseating details which for the sake of not overshocking the reader we shall omit. The report continued:

> The halls and stairways are usually filthy and dark, and the walls and banisters foul and damp, while the floors were not infrequently used. . . . [for purposes of nature] . . . for lack of other provisions. The dwelling rooms are usually very inadequate in size for the accommodation of their occupants, and many of the sleeping rooms are simply closets, without light or ventilation save by means of a single door. . . . Such is the character of a vast number of tenement houses, especially in the lower part of the city and along the eastern and western border. Disease especially in the form of fevers of a typhoid character are constantly present in these dwellings and every now and then become an epidemic.[13]

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[13] Report of the Metropolitan Board of Health for 1866, Appendix A:38.

"Some of the tenements," added the report, "are owned by persons of the highest character, but they fail to appreciate the responsibility resting on them." This sentence makes it clear that landlords could own, and enormously profit from, pig-sty human habitations which killed off a large number of the unfortunate tenants, and yet these landlords could retain the lustre, in nowise diminished, of being men "of the highest character." Fully one-third of the deaths in New York and Brooklyn resulted from zymotic diseases contracted in these tenements, yet not even a whisper was heard, not the remotest suggestion that the men of wealth who thus deliberately profited from disease and death, were criminally culpable, although faint and timorous opinions were advanced that they might be morally responsible.

HUMANITY OF NO CONSEQUENCE

Human life was nothing; the supremacy of the property idea dominated all thought and all laws, not because mankind was callous to suffering, wretchedness and legalized murder, but because thought and law represented what the propertied interests demanded. If the proletarian white population had been legal slaves, as the Negroes in the South had been, much consideration would have been bestowed upon their gullets and domiciles, for then they would have been property; and who ever knew the owner of property to destroy the article which represented money? But being "free" men and women and children, the proletarians were simply so many bundles of flesh whose sickness and death meant pecuniary loss to no property-holder. Therefore casualties to them were a matter of no great concern to a society that was taught to venerate the sacredness of property as embodied in brick and stone walls, clothes, machines, and furniture, which same, if inert, had the all-important virile quality of having a cash value, which the worker had not.

But these landlords "of the highest character" not only owned, and regularly collected rents from, tenement houses which filled the cemeteries, but they also resorted to the profitable business of leasing certain tenements to middlemen who guaranteed them by lease a definite and never-failing annual rental. Once having done this, the landlords did not care what the middlemen did—how much rent they exacted, or in what condition they allowed the tenements. "The middlemen," further reported the Metropolitan Board of Health,

> are frequently of the most heartless and unscrupulous character and make large profits by sub-letting. They leave no space unoccupied: they rent sheds, basements and even cellars to families and lodgers; they divide rooms by partitions, and then place a whole family in a single room, to be used for living, cooking, and sleeping purposes. In the Fourth, Sixth, Seventh, Tenth, and Fourteenth Wards may be found large, old fashioned dwellings originally constructed for one family, subdivided and sublet to such an extent that even the former sub-cellars are occupied by two or more families. There is a cellar population of not less than 20,000 in New York City.

Here, again, shines forth with blinding brightness that superior morality of the propertied classes. There is no record of a single landlord who refused to pocket the great gains from the ownership of tenement houses. Great, in fact, excessive gains they were, for the landowning class considered tenements "magnificent investments" (how edifying a phrase!) and all except one held on to them. That one was William Waldorf Astor of the present generation, who, we are told, "sold a million dollars worth of unpromising tenement-house property in 1890." [14] What fantasy of action was it that caused William Waldorf Astor so to depart from the accepted formulas of his class as to give up these "magnificent investments?" Was it an abhorrence of tenements, or a growing fastidiousness as to the methods? It is to be observed that up to that time he and his family had tenaciously kept the revenues from their tenements; evidently then, the source of the money was not a troubling factor. And in selling those tenements he must have known that his profits on the transaction would be charged by the buyers against the future tenants and that even more overcrowding would result. What, then, was the reason?

About the year 1887 there developed an agitation in New York City against the horrible conditions in tenement houses, and laws were popularly demanded which would put a stop to them, or at least bring some mitigation. The whole landlord class virulently combated this agitation and these proposed laws. What happened next? Significantly enough a municipal committee was appointed by the mayor to make an inquiry into tenement conditions; and this committee was composed of property owners. William Waldorf Astor was a conspicuous member of the committee. The mockery of a man whose family owned miles of tenements being chosen for a committee, the province of which was to find ways of improving tenement conditions, was not lost on the public, and shouts of derision went up. The working population was skeptical, and with reason, of the good faith of this committee. Every act, beginning with the mild and ineffective one of 1867, designed to remedy the appalling conditions in tenement houses, had been stubbornly opposed by the landlords; and even after these puerile measures had finally been passed, the landlords had resisted their enforcement. Whether it was because of the bitter criticisms levelled at him, or because he saw that it would be a good time to dispose of his tenements as a money-making matter before further laws were passed, is not clearly known. At any rate William Waldorf Astor sold large batches of tenements.

AN EXALTED CAPITALIST

To return, however, to William B. Astor. He was the owner, it was reckoned in 1875, of more than seven hundred buildings and houses, not to mention the many tracts of unimproved land that he held. His income from these properties and from his many varied lines of investments was stupendous. Every one knew that he, along with other landlords, derived great revenues from indescribably malodorous tenements, unfit for human habitation. Yet little can be discerned in the organs of public opinion, or in the sermons or speeches of the day, which showed other than the greatest deference for him and his kind. He was looked up to as a foremost and highly exalted capitalist; no church disdained his gifts;[15] far from it, these were eagerly solicited, and accepted gratefully, and even with servility. None questioned the sources of his wealth, certainly not one of those of his own class, all of whom more or less used the same means and who extolled them as proper, both traditionally and legally, and as in accordance with the "natural laws" of society. No condemnation was visited on Astor or his fellow-landlords for profiting from such ghastly harvests of disease and death. When William B. Astor died in 1875, at the age of eighty-three, in his sombre brownstone mansion at Thirty-fifth street and Fifth avenue, his funeral was an event among the local aristocracy; the newspapers published the most extravagant panegyrics and the estimated $100,000,000 which he left was held up to all the country as an illuminating and imperishable example of the fortune that thrift, enterprise, perseverance, and ability would bring.

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[14] "America's Successful Men of Affairs":36

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[15] "No church disdained his gifts." The morals and methods of the church, as exemplified by Trinity Church, were, judged by standards, much worse than those of Astor or of his fellow-landlords or capitalists. These latter did not make a profession of hypocrisy, at any rate. The condition of the tenements owned by Trinity Church was as shocking as could be found anywhere in New York City. We subjoin the testimony given by George C. Booth of the Society for the Improvement of the Condition of the Poor before a Senate Investigating Committee in 1885:

Senator Plunkett: Ask him if there is not a great deal of church influence [in politics].

The Witness: Yes, sir, there is Trinity Church.

Q.: Which is the good, and which is the bad?

A.: I think Trinity is the bad.

Q.: Do the Trinity people own a great deal of tenement property?

A.: Yes, sir.

Q.: Do they comply with the law as other people do?

A.: No, sir; that is accounted for in one way—the property is very old and rickety, and perhaps even rotten, so that some allowance must be made on that account. (Investigation of the Departments of the City of New York, by Special Committee of the [New York] Senate, 1885. 1:193-194.)

Chapter VII

THE CLIMAX OF THE ASTOR FORTUNE

THE impressive fortune that William B. Astor left was mainly bequeathed in about equal parts to his sons John Jacob II. and William. These scions, by inheritance from various family sources, intermarriage with other rich families, or both, were already rich. Furthermore, having the backing of their father's immense riches, they had enjoyed singularly exceptional opportunities for amassing wealth on their own account.

In 1853 William Astor had married one of the Schermerhorn family. The Schermerhorns were powerful New York City landholders; and if not quite on the same pinnacle in point of wealth as the Astors, were at any rate very rich. The immensely valuable areas of land then held by the Schermerhorns were largely obtained by precisely the same means that the Astors, Goelets, Rhinelanders and other conspicuous land families had used. However, most of the Schermerhorn properties were later sold, and by 1936 that family was negligible as real estate owners.

INTERRELATED WEALTH

The settled policy, from the start, of the rich men, and very greatly of rich women, was to marry within their class. The result obviously was to increase and centralize still greater wealth in the circumscribed ownership of a few families. In estimating, therefore, the collective wealth of the Astors, as in fact of nearly all of the great fortunes, the measure should not be merely the possessions of one family, but should embrace the combined wealth of interrelated rich families.

The wedding of William Astor (as was that of his son John Jacob Astor thirty-eight years later to a daughter of one of the richest landholding families in Philadelphia) was an event of the day if one judges by the commotion excited among what was represented as the superior class, and the amount of attention given by the newspapers. In reality, viewing them in their proper perspective, these marriages of the rich were infinitesimal affairs, which would scarcely deserve a mention, were it not for the effect that they had in centralizing wealth and for the clear picture that they give of the ideas of the times. Posterity, which is the true arbiter in distinguishing between the enduring and the evanescent, the important and the trivial, rightly cares nothing for essentially petty matters which once were held of the highest importance. Edgar Allan Poe, wearing his life out in extreme poverty, William Lloyd Garrison, thundering against chattel slavery from a Boston garret, Robert Dale

Owen spending his years in altruistic endeavors—these men were contemporaries of the Astors of the second generation.

MONEY AND HUMANITY

During the decades when the capitalists of one kind or another were first piling up wealth, they were the weighty class of the day; their slightest doings were chronicled, and their flimsiest sayings were construed oracularly as those of public opinion. Numberless people sickened and died in the industrial strife and in miserable living quarters; ubiquitous capitalism was a battle-field strewn with countless corpses; but none of the professed expositors of morality, religion or politics gave heed to the wounded or the dead, or to the conditions which produced these hideous and perpetual slaughters of men, women and children. But to the victors, no matter what their methods were, or how much desolation and death they left in their path, the richest material rewards were awarded; wealth, luxury, station and power; and the Law, the majestic, exalted Law, upheld these victors in their possessions by force of courts, police, sheriffs, and by rifles loaded with bullets if necessary.

Once having wrested into their possession the results of all of these and more fraudulent methods in the form of millions of dollars in property, what was their strongest ally? The Law. Yes, the Law, theoretically so impartial and so reverently indued with awe—and with force. From fraud and force the Astor fortune came, and by force, in the shape of law, it was fortified in their control. If a starving man had gone into any one of the Astor houses and stolen even as much as a silver spoon, the Law would have come to the rescue of outraged property by sentencing him to prison. Or if, in case of a riot, the Astor property was damaged the Law also would have stepped in and compelled the county to indemnify. This Law, this extraordinary code of print which governs us, has been and is nothing more or less, it is evident, than so many statutes to guarantee the retention of the proceeds of fraud and theft, if the piracy were committed in a sufficiently large and impressive way. The indisputable proof is that every single fortune which has been obtained by fraud, is still privately held and is greater than ever; the Law zealously and jealously guards it. So has the Law practically worked; and if the thing is to be judged by its practical results, then the Law has been an instigator of every form of crime, and a bulwark of that which it instigated. Seeing that this is so, it is not so hard to understand that puzzling problem of why so large a portion of the community has resolved itself into a committee of the whole, and while nominally and solemnly professing the accustomed and expected respect for Law, deprecates it, as it is constituted, and often makes no concealment of contempt.

LAW THE STRONGEST ASSET

In penetrating into the origin and growth of the great fortunes, this vital fact is constantly forced upon the investigator: that Law has been the most valuable asset possessed by the capitalist class. Without it, this class would have been as helpless as a babe. What would the medieval baron have been without armed force? But note how conditions have changed. The capitalist class, far shrewder than the feudalistic rulers, dispenses with personally equipped armed force. It becomes superfluous. All that is necessary to do is to make the laws, and so guide things that the officials who enforce the laws are responsive to the interests of the propertied classes. Back of the laws are police forces and sheriffs and militia, all kept at the expense of city, county and State—at public expense. Clearly, then, having control of the laws and of the officials, the propertied classes have the full benefit of armed forces the expense of which, however, they do not have to defray. It has unfolded itself as a vast improvement over the crude feudal system.

In complete control of the laws, the great propertied classes have been able either to profit by the enforcement, or by the violation, of them. This is nowhere more strikingly shown than in the growth of the Astor fortune, although all of the other great fortunes reveal the same, or nearly identical, factors. With the millions made by a career of crime the original Astors buy land; they get more land by fraud; the Law throws its shield about the property so obtained. They cheat the city out of enormous sums in taxation; the Law does not molest them. On the contrary it allows them to build palaces and to keep on absorbing more forms of property. In 1875 William Astor builds a railroad in Florida; and as a gift of appreciation, so it is told, the Florida Legislature presents him with 80,000 acres of land. It is wholly probable, if the underlying circumstances were known, that it would be found that an influence more material than a simple burst of gratitude prompted this gift. Where did the money come from with which this railroad was built? And what was the source of other immense funds which were invested in railroads, banks, industrial enterprises, in buying more land and in mortgages—in many forms of ownership?

The unsophisticated acceptor of current sophistries or the apologist might reply that all this money came from legitimate business transactions, the natural increase in the value of land, and thus on. But waiving these superficial explanations and defenses, which really mean nothing more than a forced justification, it is plain that the true sources of these revenues were of a vastly different nature. The millions in rents which flowed in to the Astor's treasury every year came literally from the sweat, labor, misery and murder of a host of men, women, and children who were never chronicled, and who went to their death in eternal obscurity.

THE BASIS OF WEALTH'S STRUCTURE

It was they who finally had to bear the cost of exorbitant rents; it was their work, the products which they created, which were the bases of the whole structure. And in speaking of murder, it is not deliberate, premeditated murder which is meant, in the sense covered by statute, but that much more insidious kind ensuing from grinding exploitation; in herding human beings into habitations unfit even for animals which need air and sunshine, and then in stubbornly resisting any attempt to improve living conditions in these houses. In this respect, it cannot be too strongly pointed out, the Astors were in nowise different from the general run of landlords. Is it not murder when, compelled by want, people are forced to fester in squalid, germ-filled tenements, where the sunlight never enters and where disease finds a prolific breeding-place? Untold thousands went to their deaths in these unspeakable places. Yet, so far as the Law was concerned, the rents collected by the Astors, as well as by other landlords, were honestly made. The whole institution of Law saw nothing out of the way in these conditions, and very significantly so, because, to repeat over and over again, Law did not represent the ethics or ideals of advanced humanity; it exactly reflected, as a pool reflects the sky, the demands and self-interest of the growing propertied classes. And if here and there a law was passed (which did not often happen) contrary to the expressed opposition of property, it was either so emasculated as to be harmless or it was not enforced.

The direct sacrifice of human life, however, was merely one substratum of the Astor fortune. It is very likely, if the truth were fully known, that the stupendous sums in total that the Astors cheated in taxation, would have been more than enough to have constructed a whole group of railroads, or to have bought up whole sections of the outlying parts of the city, or to have built dozens of palaces. Incessantly they derived immense rentals from their constantly expanding estate, and just as persistently they perjured themselves, and defrauded the city, State and Nation of taxes. It was not often that the facts were disclosed; obviously the city or State officials, with whom the rich acted in collusion, tried their best to conceal them.

GREAT EVASION OF TAXES

Occasionally, however, some fragments of facts were brought out by a legislative investigating committee. Thus, in 1890, a State Senate Committee, in probing into the affairs of the tax department, touched upon disclosures which dimly revealed the magnitude of these annual thefts, but which in nowise astonished any well-informed person, because every one knew that these frauds existed. Questioned closely by William M. Ivins, counsel for the committee, Michael Coleman, president of the Board of Assessments and Taxes, admitted that vast stretches of real estate owned by the Astors were assessed at half or less than half of their real value.[1] Then followed this exchange, in which the particular "Mr. Astor" referred to was not made clear:

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[1] See Testimony taken before the [New York] Senate Committee on Cities, 1890, iii:2312, etc.

Q.: You have just said that Mr. Astor never sold?

A.: Once in a while he sells, yes.

Q.: But the rule is that he does not sell?

A.: Well, hardly ever; he has sold, of course.

Q.: Isn't it almost a saying in this community that the Astors buy and never sell?

A.: They are not looked upon as people who dispose of real estate after they once get possession of it.

Q.: Have you the power to exact from them a statement of their rent rolls?

A.: No.

Q.: Don't you think that . . . if you are going to levy a tax properly and fully . . . you ought to be vested with that power to learn what the returns and revenues of that property are?

A.: No, sir; it's none of our business.[2]

This fraudulent evasion of taxation was anything but confined to the Astor family. It was practiced by the entire large propertied interests, not only in swindling New York City of taxes on real estate, but also those on personal property. Coleman admitted that while the total valuation of the personal property of all the corporations in New York was assessed at $1,650,000,000, they were allowed to swear it down to $294,000,000.

Here we see again at work that fertile agency which has assisted in impoverishing the masses. Rentals are exacted from them, which represent on the average the fourth part of their wages. These rentals are based upon the full assessment of the houses that they live in. In turn, the landlords defraud the city of one-half of this assessment. In order to make up for this continuous deprivation of taxes, the city proceeds time and time again to increase taxes and put out interest-bearing bond issues. These increased taxes, as in the case of all other taxes, fall upon the workers and the results are seen in constantly rising rents and in higher prices for all necessities.

LICENSED PIRACY RAMPANT

Was any criminal action ever instituted against these rich defrauders? None of which there is any record.

Not a publicist, editor, preacher was there who did not know either generally or specifically of these great frauds in taxation. Some of them might protest in a half-hearted, insincere or meaningless way. But the propertied classes did not mind wordy criticism so long as it was not backed by political action. In other words, they could afford to tolerate, even be amused by, gusty denunciation if neither the laws were changed, nor the particular enforcement or non-enforcement which they demanded. The essential thing with them was to continue conditions by which they could keep on amassing wealth.

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[2] Testimony taken before the [New York] Senate Committee on Cities, 1890, iii: 2314-2315.

Virtually all that was considered best in society—the men and women who lived in the finest mansions, who patronized art and the opera, who set themselves up as paramount in breeding, manners, taste and fashion—all of these were either parties to this continuous process of fraud or benefited by it. It was not astonishing, therefore, when John Jacob Astor II died in 1890, and William Astor in 1892, that encomiums should be lavished upon their careers.

Without an exception the various biographies were fulsomely laudatory. This excessive praise might have defeated the purpose of the authors were it not that it was the fashion of the times to depict and accept the multi-millionaires as marvels of ability, almost superhuman. This was the stuff fed out to the people; it was not to be wondered at that a period came when the popular mind reacted and sought the opposite extreme in which it laved in the most violent denunciations of the very men whom it had long been taught to revere. That period, too, passed, to be succeeded by another in which a more correct judgment will be formed of the magnates, and in which they will appear not as exceptional criminals, but as products of their times and environment, and in their true relation to both of these factors.

The fortune left by John Jacob Astor II in 1890 amounted to about $150,000,000. The bulk of this descended to his son William Waldorf Astor. The $75,000,000 fortune left by William Astor in 1892 was bequeathed to his son John Jacob Astor. An authoritative estimate in 1911 of the realty holdings in New York City of the Astor estate showed that the total assessed valuation of Astor property on Manhattan Island alone was $107,959,300. Of this enormous amount of realty, William Waldorf Astor was the greatest holder; his possessions were assessed at $50,290,000. According to the tax records, John Jacob Astor, son of William Astor, paid real estate taxes on $41,202,800, and the realty holdings of the William Astor estate were assessed at $16,466,500. But notwithstanding increased assessments in prior years, it was safely estimated that the entire Astor holdings were not taxed on more than 60 per cent of what the holdings would bring at private or public sale. The marketable value of these Astor real estate properties in New York City alone was therefore estimated as doubtless reaching $150,000,000. At Rhinebeck-on-the-Hudson John Jacob Astor's estate covered two thousand acres.

A more comprehensive idea of the individual riches of the Astors was furnished on April 28, 1914, when the executors of the estate of John Jacob Astor (called Colonel because of an appointment on the Governor's military staff) submitted their report to the Surrogate's Court in New York City. He had died, on April 15, 1912, in a disaster which befell the steamship Titanic while crossing the Atlantic. The executors' appraisal placed his personal property at $24,094,470, and the realty at $63,124,321, making the total $87,218,791, from which an inheritance tax was paid, leaving a balance of nearly $78,000,000. By his first wife, from whom he had been divorced, Colonel John Jacob Astor had two children, Vincent and Alice Muriel. A few months after his death his second wife gave birth to another son, John Jacob Astor. A trust fund of $5,000,000 was set aside for Alice Muriel, and another such fund of $3,000,000 for John Jacob Astor. The bulk of the estate was inherited by Vincent Astor the bequest to whom was about $69,000,000. In Colonel Astor's will no mention was made of the first Mrs. Astor, for whom, it was understood, provision had been made at the time of the divorce. On the second Mrs. Astor, at the time of her marriage, there was a pre-nuptial settlement. She was also willed $100,000 outright, and the income from a trust fund of $5,000,000 and the use of the Astor mansion at 840 Fifth Avenue so long as she remained unmarried. But some years after Colonel Astor's death she married William K. Dick, and later married a former pugilist.

The Astor mansions of John Jacob Astor and Mrs. William Astor at Fifth Avenue and 65th street ranked among the most pretentious in the United States. Splendor was piled on splendor. Mrs. Astor was a conspicuous society leader. Now it fell to the lot of Benjamin Winter, who had come to America as an immigrant boy and who had first peddled his way in New York City, to become the buyer of the Astor property at Fifth Avenue and 65th street. This happened in May, 1925, when he paid $3,000,000 for the Astor mansion. He had bought the site of the Temple Emanu-El at Fifth Avenue and 43rd street for $6,500,000, and in part payment gave it the Astor site, and there the Jewish synagogue of that name now stands.

William Waldorf Astor, cousin of John Jacob Astor, gave up his American citizenship in 1899, expatriated himself and became a British Subject. He bought the Cliveden estate at Taplow, Bucks, England, the old seat of the Duke of Westminster, the richest landlord in England. Thenceforth this Astor scorned his native land, and never even took the trouble to look at property which yielded him so great a revenue. This absentee landlord for whom, it was estimated, an immense number of men, women and children directly toiled, in the form of paying him rent, surrounded himself in England with a lofty feudal exclusiveness. He became somewhat of a molder of public opinion; he owned a newspaper and a magazine in London. He attained his ambition of holding a title when, on December 31, 1915, King George V created him a Viscount. At that time an itemized list of real estate owned by him in New York City showed the total value as $60,000,000. Viscount Astor died in October, 1919, at Hever Castle, leaving three children of whom the present Lord Astor was the elder, and John Jacob Astor the younger, son. An estimate made of Viscount Astor's estate in New York City at the time of his death placed the sum at $90,000,000.

For the benefit of his two sons he, in 1916, had made a trust agreement under which, a referee's report in 1922 showed, the bonds and other securities in trust for Major John Jacob Astor and for the three children of Lord Astor totalled $23,641,000. In the same year, Major Astor, then Conservative candidate for Parliament, announced his intention of transferring to England his American wealth, and when asked about it in London by a newspaper representative, was reported to have said: "It is no new statement; in fact, it is no new news. I was simply referring to my policy for the last six years." In 1929 it was reckoned that the entire estate left by William Waldorf Astor had, as a result of rising real estate and other values increased to possibly $100,000,000. But in the period thereafter of the great depression, real estate as well as all other values suffered, and inflow of rentals was reduced. However, the fortune of William Waldorf Astor's heirs was still so large they commanded revenues which stood out as extraordinary. Credited to the William Waldorf Astor estate, on the New York City real estate tax books, in 1935, were holdings amounting to $11,356,000; the real value was fully 20 per cent more. But this was by no means all of the properties owned by that estate; trust companies carried much that was not entered on the tax books in William Waldorf Astor's name.

Having reached the present generation, we shall not attempt to enter into a detailed narrative of their multifarious interests, embracing land, railroads, industries, insurance and a vast variety of other forms of wealth. The purpose of this work is to point out the circumstances underlying the origin and growth of the great private fortunes; in the case of the Astors this has been done sufficiently, although many facts have been intentionally left out of these chapters which might very properly have been included. But there are a few remaining facts without which the story would not be complete, and lacking which it might lose some significance.

THE ASTOR FORTUNE

We have seen how the Astor fortune multiplied. How was it possible to have added the extraordinary increases in a few decades? Individual ability did not accomplish it; it is ludicrous to say that it could have done so. The methods by which much of this increase was gathered in have already been set forth. A large part came from the rise in the value of land, which value arose not from the slightest act of the Astors, but from the growth of the population and the labor of the whole body of workers. This value was created by the producers, but far from owning or even sharing in it, they were compelled to pay heavier and heavier tribute in the form of rent for the very values which they had created. Had the Astors or other landlords gone into a perpetual trance these values would have been created just the same.

The Astors of the first generation had never set themselves out as "reformers" in politics. They had plundered right and left, but withal had made no great pretenses. The fortune held by the Astors, so the facts indubitably showed, represented a succession of piracies and exploitation. Very curious, therefore, it was to note that Astors of a later time avowed themselves most solicitous reformers and were members of pretentious, self-constituted committees composed of the "best citizens," the object of which was to purge New York City of Tammany corruption.

Leaving aside the Astors, and considering the attitude of the propertied class as a whole, this posing of the so-called better element as reformers has been one of the most singular characteristics of American politics, and its most colossal sham. Although continuously, with rare intermissions, the landholders and the railroad and industrial magnates were either corrupting public officials or availing themselves of the benefits of corrupt politics, many of them, not in New York alone, but in every American city, were, at the same time, metamorphosing themselves into reformers. Not reformers, of course, in the true, high sense of the word, but as ingenious counterfeits. With the most ardent professions of civic purity and of horror at the prevailing corruption they came forward on occasions, clothed in a fine and pompous garb of righteousness.

THE QUALITY OF "REFORMERS"

The very men who cheated cities, states and nation out of enormous sums in taxation; who bribed, through their retainers, legislatures, common councils and executive and administrative officials; who corruptly put judges on the bench; who made Government simply an auxiliary to their designs; who exacted heavy tribute from the people in a thousand ways; who forced their employees to work for precarious wages and who bitterly fought every movement for the betterment of the working classes—these were the men who to some extent made up these so-called "reform" committees.[3]

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[3] Some millionaires who figured prominently on these and various of them who did not, changed their nominal citizenship from a State where high taxes galled them to a State where they could take advantage of a low tax rate. Thus William C. Schermerhorn, a New York City millionaire who had a villa at Newport, Rhode Island, obtained, in 1902, a decree declaring his citizenship in that State. Such a practice for the same purpose was common and has continued so. Florida was the more coveted place in recent years for the rich seeking lower inheritance and other taxes. Grievances expressed by millionaires and multimillionaires against high tax rates are by no means infrequent. Not long ago William R. Hearst threatened to leave California, where he has a vast estate, because of the tax rate.

As for income taxes, Congressional investigations in the years up to 1935 brought out many instances of tax evasion and avoidance. These were accomplished by apportioning the total income among members of the family so as to escape the higher tax rates fixed upon a single large income. There has also been the prevalent device of offsetting capital gains by actual or fictitious capital losses on real estate, stocks and bonds. In one of these Congressional hearings, evidence was submitted regarding a group of 101 men whose net individual incomes exceeded a million dollars, and whose total net income for eight years, (this was before the depression of 1929), was $822,000,000. The amount of profits on which they were taxed was $38,656,000 or 4.70 per cent of net income, and the amount deducted as losses on sales was $173,684,000 or 17.44 per cent of net income. These transactions were mostly sale of stocks, and in their tactics they took advantage of a loophole in the law. Such methods are "the biggest single factor that there is affecting incomes in the high

If there had been the slightest serious attempt to interfere with their vested privileges, corruptly obtained and corruptly enhanced, and with the vast amount of increment and graft that these privileges bought them, they would have instantly raised the cry of revolutionary confiscation. But they were very willing to put an end to the petty graft which the politicians collected from saloons, brothels, peddlers, and the small merchants, and thereby present themselves as respectable and public-spirited citizens, appalled at the existing corruption. The newspapers supported them in this attitude, and occasionally a sufficient number of the voters would sustain their appeals and elect candidates that they presented. The only real difference was that under an openly corrupt machine they had to pay in bribes for franchises, laws and immunity from laws, while under the "reform" administrations, which represented, and toadied to, them, they often obtained all these and more without the expenditure of a cent. It has often been much more economical for them to have "reform" in power; and it is a well-known truism that the business-class reform administrations which are popularly assumed to be honest, will go to greater lengths in selling out the rights of the people than the most corrupt political machine, for the reason that their administrations are not generally suspected of corruption and therefore are not closely watched. Moreover, corruption by bribes is not always the most effective kind. There is a much more sinister form. It is that which flows from conscious class use of a responsive government for insidious ends. Practically all of the American "reform" movements came within this scope.

This is no place for a dissertation on these pseudo-reform movements; it is a subject deserving a special treatment by itself. But it is well to advert to them briefly here since it is necessary to give constant insights into the methods of the propertied class. Whether corrupt or "reform" administrations were in power the cheating of municipality and State in taxation went on with equal vigor.[4]

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tax brackets." (U. S. Senate Select Committee Investigation of Internal Revenue Bureau, 1924-1925, Part 19-19, Testimony,:3558-3560.)

Another millionaire mode of escaping taxes has been investment in tax-exempt securities—Federal, State and municipal bonds specifically containing such a provision. As to the amount of these securities exact figures are not available. In 1935 the aggregate was calculated at $40,000,000,000, and by another estimate at about $53,800,000,000 of which $35,400,000,000 was free not only from the Federal normal income tax but also from surtax.

As to payments of the full tax on corporation income these have been often circumvented by various means. In recommending a new scale of taxation on corporation income, President Franklin D. Roosevelt, on June 19, 1935, urged Congress to make adequate safeguards against evasion.

Regarding many of small or moderate income and the professional and fixed salary classes, none of these ways of avoiding taxes are open, even if they aim to do so. Obviously, their tax load has been increased, while that of large propertied men and interests has been correspondingly less burdened.

[4] For further details on this point see Chapter ix, Part II.

A VAST ANNUAL INCOME

The collective Astor fortune, as we have said, amounts to tens of millions of dollars. This, however, is merely an estimate based largely upon their real estate possessions. No one but the Astors themselves knows what are their holdings in bonds and stocks of every description. Originally owning land in the lower part of Manhattan, they then bought land in Yorkville, then added to their possessions in Harlem, and later in the Bronx, in which part of New York City they have owned large areas.

In rents in New York City alone it was computed that in prosperous times the Astors collected twenty-five or thirty million dollars a year. Possibly during the boom times before 1929 the amount might have been much more; it naturally was curtailed during the ensuing severe depression.

PROXIMITY OF PALACES AND POVERTY

From the Astor palaces it was but a step, as it were, to gaunt neighborhoods where great parts of the population were crowded in the most inhuman way into wretched tenement houses. More than fifty blocks on Manhattan Island—each of which blocks was not much larger than the space covered by the Astor mansions—had each a teeming population of from 3,000 to 4,000 persons. In each of several blocks 6,000 persons were congested. In 1855, when conditions were thought bad enough, 417,476 inhabitants were crowded into the section south of Fourteenth street; but in 1907 this district contained fully 750,000 population. Seventy years ago the lower sections only of Manhattan were overcrowded, but the density of congestion spread to all parts of Manhattan, and to the Bronx and Brooklyn. On an area of two hundred acres in certain parts of New York City, in 1907, not fewer than 200,000 people existed. It was not uncommon to find eighteen men, women, and children, driven to it by necessity, sleeping in three small, suffocating rooms.

New York City was full of what were termed "dumb-bell" or "railroad" tenements. Usually five or six stories high, each of these was built on a lot 25 by 100 feet, and extended back 90 feet, leaving only 10 feet in the rear for the admission of air and light to back rooms. On each floor above the ground floor were four apartments, two of four rooms in front, and in the rear, apartments of three rooms each. A mockery of a contrivance called an "air shaft", having a width of 28 inches, a height of 50 to 60 feet and enclosed on all sides, was supposed to provide light and air to the five rooms on each side of the house. Of the fourteen rooms on each floor, direct light and air from street or yard was received by only four. The bedrooms—8 feet 6 inches by 7 feet—were utterly without light and air except that which came from the dim and fetid airshaft. In each of these tenements from 100 to 150 persons were massed.

Humanitarians were stirred by the dangers of these habitations in which great numbers of people lived in semi-darkness, and were constantly exposed to tragic fire hazards from the wooden stairways and other flimsy construction. Agitation resulted in the appointment by the Legislature of Tenement House Commissions in 1884, 1891 and 1900. Their reports set forth the shocking testimony and described the prevailing abominations. Despite the intense opposition of large real estate owners, a law was passed in 1901 prohibiting further erection of such tenements, and prescribing how multifamily houses should thereafter be built. This law brought about beneficial changes in new apartment houses constructed.

But most of the old-style tenements remained. There were in New York City, in 1900, more than 82,000 of these. In the ensuing thirty years no great reduction was made in the number which in 1930 was 67,658. The failure of private owners to supply city dwellers with decent housing and the insistence of those owners upon getting the highest rentals that could be exacted, caused the creation by New York State of a State Board of Housing.

In its report to the Legislature in 1930, this Board declared that it found conditions on the lower east side of Manhattan growing continually worse, with no hope of improvement by absentee landlords. "Even before the enactment of the rent laws of 1920," the Board reported, referring to the old tenements, "most of these buildings were in deplorable condition. But the enactment of the rent laws marked the end of the landlord's interest in the physical conditions of the properties, and from that time on deterioration of most of these tenements has been unchecked. Today conditions in some neighborhoods beggar description."

The report detailed that more than 600 parcels of property on the lower east side, sufficient to cover fourteen full blocks, were owned by prominent estates such as those of William Astor, Robert Goelet and others. Again, in its report for 1932, the State Board of Housing set forth that many of 67,658 old tenements were sixty, seventy and some even a hundred years old, and that although landlords had made a few unimportant changes, "the shell and room arrangement remained." As for newly-constructed apartment houses built by private landlords and supposed to afford moderate rentals, the Board declared: "On the one hand, when commercial enterprise has supplied low-priced dwellings, the contribution was of the lowest standard. . . . On the other hand, when new dwellings have been built, showing improvement in the lay-out of apartments and in the amount of open space surrounding them, they have rented at prices that the majority of the population could not afford to pay. A housing law that aims to achieve tangible benefits must realistically grapple with the double problem of the demolition of slum areas and of the construction of buildings of the highest standards at lowest rentals." [5]

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[5] Report of the [New York] State Board of Housing, Legislative Doc. No. 84, 1932: 11-13.

To effect further the solution of this problem the New York City Housing Authority was established early in 1934. And now came a noteworthy change from the former long-continuing attitude of the Astors. Pledging his full co-operation, Vincent Astor made an offer to sell to that body his tenement holdings, consisting of thirty-eight buildings, at a price considerably below the assessed value, so that they could be replaced by model tenements. He, it was reported, told the Tenement House Commissioner Langdon W. Post, chairman of the New York City Housing Authority, to "write his own ticket as to the price to be paid." The Authority paid Vincent Astor with bonds secured by a first mortgage on the property thus bought.[6]

The proportions of Vincent Astor's income—at least in years classed as prosperous—may be judged from the Federal income tax paid by him in 1925. He paid $642,000, and was thirteenth in a leading list of twenty-five men in the United States who paid the highest income taxes.

Of the entire real estate holdings of the various branches of the Astor family in New York City—properties assessed in 1935 at $50,802,500—Vincent Astor owned a long list with an assessed value of $22,477,000. And he had sold considerable of his real estate. The extent of his extensive and varied financial interests was shown by the directorships that he held. In 1936 he was a director of several realty companies and of the Chase National Bank, and (in addition to the Illinois Central Railway Company, and the Western Union Telegraph Company, already mentioned) of the Great Northern, the Chicago, St. Louis & New Orleans, and the Dubuque & Sioux City railway companies. He was also a director of the International Mercantile Marine and of four other important steamship lines.

The origin and successive development of the Astor fortune have been laid bare in these chapters; not wholly so, by any means, for a mass of additional facts have been left out. Where certain fundamental facts are sufficient to give a clear idea of a presentation, it is not necessary to pile on too much of an accumulation. And yet, such has been the continued emphasis of property-smitten writers upon the thrift, honesty, ability and sagacity of the men who built up the great fortunes, that the impression generally prevails that the Astor fortune was preëminently one of those amassed by legitimate means. These chapters should dispel this illusion.

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[6] Ibid., Legislative Doc. No. 41, 1936:27.

Chapter VIII

OTHER LAND FORTUNES CONSIDERED

THE founding and aggrandizement of other great private fortunes from land were accompanied by methods closely resembling, or identical with, those that the Astors employed.

Next to the Astors' estate the Goelet landed possessions are perhaps, in respect of value, one of the largest urban estates in the United States.

THE GOELET FORTUNE

The founder of the Goelet fortune was Peter Goelet, an ironmonger during and succeeding the Revolution. His grandfather, Jacobus Goelet, was as a boy and young man, brought up by Frederick Phillips, with whose career as a promoter and backer of pirates and piracies, and as a briber of royal officials under British rule, we have dealt in previous chapters. Of Peter Goelet's business methods and personality no account is extant. But as to his methods in obtaining land, there exists little obscurity. In the course of this work it has already been shown in specific detail how Peter Goelet in conjunction with John Jacob Astor, the Rhinelander brothers, the Schermerhorns, the Lorillards and other founders of multimillionaire dynasties, fraudulently secured great tracts of land, during the early and middle parts of the last century, in either what was then, or what is now, the heart of New York City. It is entirely needless to iterate the narrative of how the city officials corruptly gave over to these men land and water grants before that time municipally owned—grants now having a present incalculable value.[1]

As was the case with John Jacob Astor, the fortune of the Goelets was derived from a mixture of commerce, banking and ownership of land. Profits from trade went toward buying more land, and in providing part of corrupt funds with which the Legislature of New York was bribed into granting banking charters, exemptions and other special laws. These various factors were intertwined; the profits from one line of property were used in buying up other forms and thus on, reversely and commingling. Peter had two sons; Peter P., and Robert R. Goelet. These two sons, with an eye for the advantageous, married daughters of Thomas Buchanan, a rich Scotch merchant of New York City, and for a time a director of the United States Bank. The result was that when their father died, they not only inherited a large business and a very considerable stretch of real estate, but, by means of their money and marriage, were powerful dignitaries in the directing of some of the richest and most despotic banks. Peter P. Goelet was for several years one of the directors of the Bank of New York, and both brothers benefited by the corrupt control of the United States Bank, and were principals among the founders of the Chemical Bank.

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[1] Some of this land and these water grants and piers were obtained by Peter Goelet during the corrupt administration of City Controller Romaine. Goelet, it seems, was allowed to pay in installments. Thus, an entry, on January 26, 1807, in the municipal records, reads: "On receiving the report of the Street Commissioner, Ordered that warrants issue to Messrs. Anderson and Allen for the three installments due to them from Mr. Goelet for the Whitehall and Exchange Piers."—MSS Minutes of the [New York City] Common Council, 1807, xvi:286.

These brothers had set out with an iron determination to build up the largest fortune they could, and they allowed no obstacles to hinder them. When fraud was necessary they, like the bulk of their class, unhesitatingly used it. In getting their charter for the notorious Chemical Bank, of New York, they bribed members of the Legislature with the same phlegmatic serenity that they would put through an ordinary business transaction. This bank, as we have brought out previously, was chartered after a sufficient number of members of the Legislature had been bribed with $50,000 in stock and a sum of money. Yet when this bank became one of the richest and most powerful institutions in the United States, and especially as the nature of its origin was unknown except to the historic delver, the Goelets mentioned the connection of their ancestors with it as a matter of great and just pride. In a voluminous biography giving the genealogies of the rich families of New York—material which was supplied and perhaps written by the families themselves—this boast occurred in the chapter devoted to the Goelets: "They were also numbered among the founders of that famous New York financial institution, the Chemical Bank." [2] Thus did the crimes of one generation become transformed into the glories of another! The present institution, the Chemical Bank and Trust Company, is one of the largest in America. Even in 1934, in the depths of the great industrial depression, it had $476,000,000 in deposits. On its board the Goelet family continues the hold that it long had; in 1936 we find Robert Goelet and his son Robert Walton among the directors, a place held by them for years.

The Goelets reaped large profits which systematically were invested in New York City real estate. And progressively their rentals from this land increased. Their policy was much the same as that of the Astors—constantly increasing their land possessions. This they could easily do for two reasons. One was that almost consecutively they, along with other landholders, induced city governments to give them successive grants, and the other was their enormous surplus revenue which kept piling up.

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[2] "Prominent Families of New York":231. Another notable example of this glorifying was Nicholas Biddle, long president of the United States Bank. Yet the court records show that, after a career of bribery, he misappropriated $400,000 of that bank's funds.

ONCE A FARM; NOW OF VAST VALUE

When William B. Astor inherited in 1846 the greater part of his father's fortune, the Goelet brothers had attained what was then the exalted rank of being millionaires, although their fortune was only a fraction of that of Astor. The great impetus to the sudden increase of their fortune came in the period 1850-1870, through a tract of land which they owned in what had formerly been the outskirts of the city. This land was once a farm and extended from about what is now Union Square to Forty-seventh street and Fifth avenue. It embraced a long section of Broadway—a section later covered with hotels, business buildings, stores and theaters. It also included blocks upon blocks filled with residences and aristocratic mansions. At first the fringe of New York City, then part of its suburbs, this tract lay in a region which from 1850 on began to take on great values, and which was in great demand for the homes of the rich. By 1879 it was a central part of the city and brought high rentals. The same combination of economic influences and pressure which so vastly increased the value of the Astors' land, operated to turn this quondam farm into city lots worth enormous sums. As population increased and the downtown sections were converted into business sections, the fashionables shifted their quarters from time to time, always pushing uptown, until the Goelet lands became a long sweep of ostentatious mansions.

In imitation of the Astors the Goelets steadily adhered, as they have since, to the policy of seldom selling any of their land. On the other hand, they bought constantly. On one occasion they bought eighty lots in the block from Fifth to Sixth avenues, Forty-second to Forty-third streets. The price they paid was $600 a lot. These lots have a present great aggregate value.

MISERS WITH MILLIONS

The second generation of the Goelets—counting from the founder of the fortune—were incorrigibly parsimonious. They reduced miserliness to a supreme art. Likewise the third generation. Of Peter Goelet, a grandson of the original Peter, many stories were current illustrating his closefistedness. His passion for economy was carried to such an abnormal stage that he refused even to engage a tailor to mend his garments.[3] He was unmarried, and generally attended to his own wants. On several occasions he was found in his office at the Chemical Bank industriously absorbed in sewing his coat. For stationery he used blank backs of letters and envelopes which he carefully and systematically saved and put away. His house at Nineteenth street, corner of Broadway, was a curiosity shop. In the basement he had a forge, and there were tools of all kinds over which he labored, while upstairs he had a law library of 10,000 volumes, for it was a fixed, cynical determination of his never to pay a lawyer for advice that he could himself get for the reading.

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[3] At this very time his wealth, judged by the standard of the times, was prodigious. "His wealth is vast—not less than five or six millions," wrote Barrett in 1862—"The Merchants of Old New York," 1:349.

Yet this miser, who denied himself many of the ordinary comforts and conveniences of life, and who would argue and haggle for hours over a trivial sum, allowed himself one expensive indulgence—expensive for him, at least. He was a lover of fancy fowls and of animals. Storks, pheasants and peacocks could be seen in the grounds about his house, and also numbers of guinea pigs. In his stable he kept a cow to supply him with fresh milk; he often milked it himself.

This eccentric was very melancholy and, apart from his queer collection of pets cared for nothing except land and houses. Chancing in upon him, one could see him intently poring over a list of his properties. He never tired of doing this, and was petulantly impatient when houses enough were not added to his inventory.

He died in 1879 aged seventy-nine years; and within a few months, his brother Robert, who was as much of an eccentric and miser in his way, passed away in his seventieth year.

THE THIRD GENERATION

The fortunes of the brothers descended to Robert's two sons, Robert, born in 1841, and Ogden, born in 1846. These wielders of a fortune so great that they could not keep track of it, so fast did it grow, abandoned somewhat the rigid parsimony of the previous generations. They allowed themselves a glittering effusion of luxuries which were popularly considered extravagances but which were in nowise so, inasmuch as the cost of them did not represent a tithe of merely the interest on the principal. In that day, when none but the dazzlingly rich could afford to keep a sumptuous steam yacht in commission the year round, Robert Goelet had a costly yacht, 300 feet long, equipped with all the splendors and comforts which up to that time had been devised for ocean craft. Between them, he and his brother Ogden possessed a fortune of perhaps $140,000,000. The basic structure of this was New York City land, but a considerable part was in railroad stocks and bonds, and miscellaneous aggregations of other securities to the purchase of which the surplus revenue had gone. Thus, like the Astors and other rich landholders, the Goelets finally became not only great landlords but sharers in the centralized ownership of the country's transportation systems and industries.

In giving figures as to the Goelet fortune we rely upon accounts published at the time. The amounts might have been overestimated or underestimated, for no one except the owners of fortunes themselves knew the precise or approximate sums possessed by them. When Ogden

Goelet died in 1897 his fortune was placed at $80,000,000 reckoning all of the complex kinds of his properties, and the estate of his brother Robert, who died in 1899, was stated to be about the same sum. To make allowance for possible exaggeration at the time we shall strike the figure given above—$140,000,000—as the total of the Goelet fortune in the last decade of the nineteenth century. Goelet's estate went to his widow, who was the daughter of a millionaire railroad and banker capitalist and the sister of Mrs. Cornelius Vanderbilt. Robert Goelet was survived by a son of the same name, and by May, a daughter. Then was witnessed that characteristic so symptomatic of the American money aristocracy. A surfeit of money brought power, but it did not carry with it a recognized position among a titled aristocracy. The next step was marriage with title. The titled descendants of the predatory barons of the feudal ages having, generation after generation, squandered and mortgaged the estates gotten centuries ago by force and robbery, stood in need of funds. On the other hand, the feminine possessors of American millions, aided and abetted doubtless by the men of the family, who generally craved a "blooded" connection, lusted for the superior social status insured by a title. The arrangement became easy. In marrying the Duke of Roxburghe in 1903, May Goelet was but following the example set by a large number of other American women of multi-millionaire families. It was an indulgence which, however great the superficial consequential money cost, was in reality, inexpensive. As fast as millions were dissipated they were far more than replaced in these private coffers by the collective labor of the American people through the tributary media of rent, interest and profit.

This large fortune, as is that of the Astors and of other extensive landlords, is not, as has been pointed out, purely one of land possessions. Far from it. The invariable rule, it might be said, has been to utilize the surplus revenues in the form of rents, in investments in a great number and variety of corporations. The rent-racked people of the City of New York, where rents are higher proportionately than in any other city, have sweated and labored and fiercely struggled, as have the people of other cities, only to deliver up a great share of their earnings to the lords of the soil, merely for a foothold. In turn these rents have incessantly gone toward buying up interests in railroads, factories, utility plants and often more and more land.

WHERE SURPLUS REVENUE HAS GONE

But the singular continuity did not end here. Land acquired by political or commercial fraud was made the lever for the commission of other frauds. The railroads now controlled by a few men, among whom the large landowners are conspicuous, were surveyed and built to a great extent by public funds, not private money. As time passed a gradual transformation took place. Little by little, scarcely known to the people, laws were altered; the States and the Government, representing the interests of the vested class, surrendered the people's rights, often even the empty forms of those rights, and great railroad systems passed into the hands of a small cabal of multimillionaires.

To give one of many instances: The Illinois Central Railroad, passing through an industrial and rich farming country, was one of the most profitable railroads in the United States. This railroad was built in the proportion of twelve parts to one by public funds, raised by taxation of the people of that State, and by prodigal gifts of public land grants. The balance represented the investments of private individuals. The cost of the road as reported by the company in 1873 was $48,331 a mile. Of this amount all that private individuals contributed was $4,930 a mile above their receipts; these latter were sums which the private owners gathered in from selling the land given to them by the State, amounting to $35,211 per mile, and the sums that they pocketed from stock waterings amounting to $8,189 a mile. "The unsold land grant," wrote Professor Frank Parsons, "amounted to 344,368 acres, worth probably over $5,000,000, so that those to whom the securities of the company were issued, had obtained the road at a bonus of nearly $2,000,000 above all they paid in."[4]

By this manipulation, private individuals not only got this immensely valuable railroad for practically nothing, but they received, or rather the laws (which they caused to be made) awarded them, a present of nearly four millions for their dexterity in plundering the railroad from the people. Although the State of Illinois formally retained a nominal voice in its management, it was really ruled by eight men. Among these, thirty years ago, were members of the Astor, Goelet and Vanderbilt families. The old association of the Astor and Goelet heirs on the directorships of both the Illinois Central Railway Company and on that of the Western Union Telegraph Company has continued to this present year of 1936, with Vincent Astor a director of both companies and Robert Walton Goelet, son of the present Robert, an Illinois Central director. This has been but one of a number of examples of the sheer accident of birth creating hereditary successions of industrial rulers.

The effects of this system did not by any means pass unnoticed a generation ago. Unrest on the part of industrial workers was manifesting itself, and, in 1912, Congress created a Commission on Industrial Relations to investigate. In addition to the summary of facts in the report of Basil M. Manly, the Commissioner's director of research, Commissioner Austin B. Garretson embodied in the final report a statement which, in essentials, is as pertinent now as it was then. "Our industrial system," he wrote, "makes it possible for one man, in only a portion of the span of human productive life, to take unto himself and claim as his own a fortune of a hundred million dollars or more, while millions of deserving men, availing themselves of every opportunity for unremitting toil, are only able to secure a grave in the potter's field or else burden their families with an installment debt for the cost of interment.

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[4] "The Railways, the Trusts and the People": 104.

"The creation of such colossal fortune naturally breeds in the mind of the possessor the sentiment, belief and practice that he is superior to society and not subject to the law . . . . and under the present system renders him practically immune from the penalties prescribed by law.

"The transmission to heirs or trustees, degenerate and otherwise, of fortunes so vast or of business interests so far reaching makes them the virtual arbiters of the destiny of thousands of their fellow beings in regard to whom they have neither sympathetic feeling, intelligent interest, nor humanitarian desire, and the testimony before this Commission has made it evident that in some instances these heirs or representatives even resent the imputation that any obligation whatever can rest upon them for the welfare of the said fellow beings or that even intelligent knowledge as to what would constitute well-being should be required of them."

As one of four chief causes of unrest Commissioner Garretson placed responsibility upon "land monopoly with resulting prohibitive price, the greatest influence in creating congestion in the cities." And he added: "Tracing the history of every vanished civilization makes apparent the fact that in every instance decadence was preceded by urban congestion and by immense land holdings by the aristocrat or the capitalist." He demanded an income or inheritance tax of so thoroughly confiscatory a nature as "would make impossible, first the creation, and, second, the transmission of the dominating accumulation of wealth in the hands of any individual, group or family."[5] The movement in this direction would have undoubtedly proceeded with considerable acceleration had it not been for the intervention of the World War and the sequential problems which long preoccupied public thought.

At Mrs. Ogden Goelet's death, at the age of 72, in 1929, her fortune, with the exception of $809,000 went to her son, Robert, and her daughter the Duchess of Roxburghe. Published accounts at the time stated that Robert, it was believed, had $50,000,000 in his own right. At any rate, some knowledge of the Goelet real estate properties may be seen by consulting the assessed value of the real estate holdings in New York City alone. In 1935 the total was $47,468,500 of which the bulk was in the name of Robert Walton Goelet, and the remainder was held by the Ogden Goelet estate, Robert Goelet, and a small part by Mary R. Goelet. But inasmuch as—to take a most conservative figure—assessed values then were 20 per cent below actual values, the amount represented by these properties could be placed at $57,000,000. Furthermore, in addition to personal holdings, the Goelets have put much of their real estate property in corporate form, and this did not appear in the list under their names.

During the depression after 1929 the plight of home owners and small owners generally was so great that, to save them from foreclosure, the New York State legislature passed year after year a moratorium providing that no foreclosure action could be taken if interest on mortgages and taxes were paid. But many distressed owners were too impoverished to pay these, and as we have noted, there was a large number of foreclosures. Like other large landowners, however, the Goelets were, of course, able to hold on to all of their properties; their income fell, but their possessions remained intact. Some insight into other Goelet holdings was afforded by the fact that in 1936 Robert Goelet was a director of the Wabash Railway Company, and Robert Walton Goelet a director of the Union Pacific Railway Company.

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[5] Final Report, U. S. Commission on Industrial Relations, 1916, i:158-160.

THE RHINELANDERS

The wealth of the Rhinelander family is another large fortune based upon city real estate. About a century and a half ago William and Frederick Rhinelander kept a bakeshop on William street, New York City, and during the Revolution operated a sugar factory. They also built ships and did a large commission business. It is usually set forth, in the plenitude of eulogistic biographies, that their thrift and ability were the foundation of the family's immense fortune. Little research is necessary to shatter this error. That they conducted their business in the accepted methods of the day and exercised great astuteness and frugality is true enough, but so did a host of other merchants whose descendants are even now living in poverty. Some other explanation must be found to account for the phenomenal increase of the original small fortune and its unshaken retention.

This explanation is found partly in the fraudulent means by which, decade after decade, they secured land and water grants from venal city administrations, and in the singularly dubious arrangement by which they obtained an extremely large landed property, now having a value of tens upon tens of millions, from Trinity Church. Since the full and itemized details of these transactions have been elaborated upon in previous chapters, it is hardly necessary to repeat them. It will be recalled that, as important personages in Tammany Hall, the dominant political party in New York City, the Rhinelanders used the powers of city government to get grant after grant for virtually nothing. From Trinity Church they got a ninety-nine year lease of a large tract in what is now the very nub of the business section of New York City—which tract they subsequently bought in fee simple. Another large tract of New York City real estate came into their possession through the marriage of William C. Rhinelander, of the third generation, to a daughter of John Rutgers. This Rutgers was a lineal descendant of Anthony Rutgers, who, in 1731, obtained from the royal Governor Cosby the gift of what was then called the "Fresh Water Pond and Swamp"—a stretch of seventy acres of little value at the time, but which, a long time later, was covered with busy streets and large commercial and office buildings. What the circumstances were that attended this grant are not now known. The grant consisted of what are now many blocks along Broadway north of Lispenard street. The Rhinelander family also derived rentals from a great number of tenement houses.

The Rhinelanders, also, employed their great surplus revenues in constantly buying more land. With true aristocratic aspirations, they were not satisfied with mere plebeian American mansions, gorgeous palaces though they were; they set out to find a European palace with warranted royal associations, and found one in the famous castle of Schonberg, on the Rhine, near Oberwesel, which they bought and where they ensconced themselves. How great the wealth of this family was may be judged from the fact that one of the Rhinelanders—William—left an estate valued at $50,000,000 at his death in December, 1907. Whatever was the total of the varied kinds of wealth owned by the Rhinelanders in 1935, the figures of at least one kind are available. They owned in New York City more than three-score real estate properties with an assessed valuation of $12,338,000, and with an actual value of perhaps $15,000,000.

THE SCHERMERHORNS

The factors entering into the building up of the Schermerhorn fortune were almost identical with those of the Astor, the Goelet and the Rhinelander fortunes. The founder, Peter Schermerhorn, was a ship chandler during the Revolution. Parts of his land and other possessions he bought with the profits from his business; other portions, as has been brought out, he obtained from corrupt city administrations. His two sons continued the business of ship chandlers; one of them—"Peter the Younger"—was especially active in extending his real estate possessions, both by corrupt favors of the city officials and by purchase. One tract of land, extending from Third avenue to the East River and from Sixty-fourth to Seventy-fifth street, which he secured in the early part of the nineteenth century became worth a colossal fortune in itself. "Peter the Younger" quickly gravitated into the profitable and fashionable business of the day—the banking business, with its succession of frauds, many of which have been described in the preceding chapters. He was a director of the Bank of New York from 1814 until his death in 1852. As has already been pointed out, the Schermerhorns, by 1936, no longer ranked among the large real estate owners in New York City.

It seems quite superfluous to enlarge further upon the origin of the great landed fortunes of New York City; the typical examples given doubtless serve as expositions of how, in various and similar ways, others were acquired. We shall advert to some of the great fortunes in the West based wholly or largely upon city real estate.

While the Astors, the Goelets, the Rhinelanders and others or rather the entire number of inhabitants, were transmuting their land into vast and increasing wealth expressed in terms of hundreds of millions in money, Nicholas Longworth was aggrandizing himself likewise in Cincinnati.

HOW LONGWORTH BEGAN

Longworth was born in Newark, N. J., in 1782, and at the age of twenty-one, had migrated to Cincinnati, then a mere outpost, with a population of eight hundred sundry adventurers. There he studied law and was admitted to practice. The story of how Longworth became a landowner is given by Houghton as follows: His first client was a man accused of horse stealing. In those frontier days, a horse represented one of the most valuable forms of property; and, as under a system wherein human life was inconsequential compared to the preservation of property, the penalty for stealing a horse was usually death. No term of reproach was more invested with cutting contempt and cruel hatred than that of a horse thief. The case looked black. But Longworth somehow contrived to get the accused off with acquittal. The man—so the story further runs—had no money to pay Longworth's fee and no property except two second-hand copper stills. These also were high in the appraisement of property values, for they could be used to make whisky, and whisky could be in turn used to debauch the Indian tribes and swindle them of furs and land. These stills Longworth took and traded them off to Joel Williams, a tavern-keeper who was setting up a distillery. In exchange, Longworth received thirty-three acres of what was then considered unpromising land in the town.[6] From time to time he bought more land with the money made in law; this land lay on what were then the outskirts of the place. Some of the lots cost him but ten dollars each.

As immigration swarmed West and Cincinnati grew, his land consequently took on enhanced value. By 1830 the population was 24,831; twenty years later it had reached 118,761, and in 1860, 171,283 inhabitants. For a Western city this was a very considerable population for the period. The growth of the city kept on increasingly. His land lay in the very center of the expanding city, in the busiest part of the business section and in the best portion of the residential districts. In 1819 he gave up law, and thenceforth gave his entire attention to managing his property. An extensive vineyard, which he laid out in Ohio, added to his wealth. Here he cultivated the Catawba grape and produced about 150,000 bottles a year.

All available accounts agree in describing him as merciless. He foreclosed with pitiless promptitude, and his adroit knowledge of the law, approaching if not reaching, that of an unscrupulous pettifogger, enabled him to get the upper hand in every transaction. His personal habits were considered repulsive by the conventional and fastidious. "He was dry and caustic in his remarks," says Houghton, "and very rarely spared the object of his satire. He was plain and careless in his dress, looking more a beggar than a millionaire."

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[6] "Kings of Fortune":172.

HIS VAGARIES—SO CALLED

There were certain other conventional respects in which he was woefully deficient, and he had certain singularities which severely taxed the comprehension of routine minds. None who had the appearance of respectable charity seekers could get anything else from him than contemptuous rebuffs. For respectability in any form he had no use; he scoffed at it and pulverized it with biting and grinding sarcasm. But once any man or woman passed over the line of respectability into the besmeared realm of sheer disrepute, and that person would find Longworth not only accessible but genuinely sympathetic. The drunkard, the thief, the prostitute, the veriest wrecks of humanity could always tell their stories to him and get relief. This was his grim way of striking back at a commercial society whose lies and shams and hypocrisies he hated; he knew them all; he had practiced them himself. There is good reason to believe that alongside of his one personality, that of a rapacious miser, there lived another personality, that of a philosopher.

Certainly he was a very unique type of millionaire, much akin to Stephen Girard. He had a clear notion (for he was endowed with a highly analytical and penetrating mind) that in giving a few coins to the abased and the wretched he was merely returning in infinitesimal proportion what the prevailing system of which he was so conspicuous an exemplar took from the whole people for the benefit of a few; and that this system was unceasingly turning out more and more wretches.

Long after Longworth had become a multimillionaire he took a savage, perhaps a malicious, delight in doing things which shocked all current conceptions of how a millionaire should act. To understand the intense scandal caused by what were considered his vagaries, it is only necessary to bear in mind the ultra-lofty position of a multimillionaire at a period when a man worth $250,000 was thought very rich. There were only a few millionaires in the United States, and still fewer multimillionaires. Longworth ranked next to John Jacob Astor. On one accasion a beggar called at Longworth's office and pointed eloquently at his gaping shoes. Longworth kicked off one of his own untied shoes and told the beggar to try it on. It fitted. Its mate followed. Then after the beggar left, Longworth sent a boy to the nearest shoe store, with instructions to get a pair of shoes, but in no circumstances to pay more than a dollar and half.

This remarkable man lived to the age of eighty-one; when he died in 1863 in a splendid mansion which he had built in the heart of his vineyard, his estate was valued at $15,000,000. He was the largest landowner in Cincinnati, and one of the largest in the cities of the United States. The value of the land that he bequeathed has increased continuously; in the hands of his various descendants to-day it is many times more valuable than the huge fortune which he left. Cincinnati, with its population of 451,160,[7] paid incessant tribute in the form of a vast rent toll to the scions of the man whose main occupation was to hold on to the land he had got for almost nothing. Unlike the founder of the fortune the present Longworth generation never strays from the set formulas of respectability; it has intermarried with other rich families: and Nicholas, a namesake and grandson of the original, and a representative in Congress, married on February 7, 1906, in circumstances of great and lavish pomp a daughter of President Theodore Roosevelt, thus linking a large fortune, based upon vested interests, with the ruling executive of the day and strategetically combining wealth with direct political power. Nicholas later became Speaker of the House of Representatives, holding that place for six years until his death in 1931. His estate at first was unofficially estimated at $16,000,000. But subsequently, when on April 15, 1931, his widow made application to be appointed executrix, according to the terms of his will, his estate was estimated at $825,000, of which $800,000 was in real estate. The original fortune had been apportioned among various heirs. One of Nicholas' sisters had married General Count Adalbert de Chambrun.

The same process of reaping gigantic fortunes from land went on in every large city. In Chicago, with its phenomenally speedy growth of population and its vast array of workers, immense fortunes were amassed within an astonishing short period. Here the growth of large private fortunes was marked by much greater celerity than in the East, although these fortunes were not as large as those based upon land in the Eastern cities.

MARSHALL FIELD AND LEITER

The largest landowners that developed in Chicago were Marshall Field and Levi Z. Leiter. In 1895 the Illinois Labor Bureau, in that year happening to be under the direction of able and conscientious officials, made a painstaking investigation of land values in Chicago. It was estimated that the 266 acres of land, constituting what was owned by individuals and private corporations in one section alone—the South Side,—were worth $319,000,000. This estimate was made at a time when the country was slowly recovering, as the set phrase goes, from the panic of 1892-94, and when land values were not in a state of inflation or rise. The amount of $319,000,000 was calculated as being solely the value of the land, not counting improvements, which were valued at as much more. The principal landowner in this one section, not to mention other sections of that immense city, was Marshall Field, with $11,000,000 worth of land; the next was Leiter, who owned in that section land valued at $10,500,000.[8] It appeared from this report that eighteen persons owned $65,000,000 of this $319,000,000 worth of land, and that eighty-eight persons owned $136,000,000 worth—or one-half of the entire business center of Chicago. Doubling the sums credited to Field and Leiter (that is to say, adding the value of the improvements to the value of the land, this brought Field's real estate in that one section to a value of $22,000,000, and Leiter's to nearly the same. This estimate was confirmed to a surprising degree by the inventory of Field's executors reported to the court early in 1907. The executors of Field's will placed the value of his real estate in Chicago at $30,000,000. This estimate did not include $8,000,000 worth of land which the executors reported that he owned in New York City, nor the millions of dollars of his land possessions elsewhere.

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[7] Census of 1930.

[8] Eighth Annual Report, Illinois Labor Bureau: 104-253.

FIELD'S MANY POSSESSIONS

Field left a fortune of about $100,000,000 (as estimated by the executors) which he bequeathed principally to two grandsons, both of which heirs were in boyhood. The factors constituting this fortune are various. At least $55,000,000 of it was represented at the time that the executors made their inventory, by a multitude of bonds and stocks in a wide range of diverse industrial, transportation, utility and mining corporations. The variety of Field's possessions and his numerous forms of ownership were such that we shall have pertinent occasion to deal more relevantly with his career in subsequent parts of this work.

The careers of Field, Leiter and several other Chicago multimillionaires ran in somewhat parallel grooves. Field was the son of a farmer. He was born in Conway, Mass., in 1835. When twenty-one he went to Chicago and worked in a wholesale dry goods house. In 1860 he was made a partner. During the Civil War this firm, as did the entire commercial world, proceeded to hold up the nation for exorbitant prices in its contracts at a time of distress. The Government and the public were forced to pay the highest sums for the poorest material. It was established that Government officials were in collusion with the contractors. This extortion formed one of the saddest and most sordid chapters of the Civil War (as it does of all wars), but conventional history is silent on the subject, and one is compelled to look elsewhere for the facts of how the commercial houses imposed at high prices shoddy material and semi-putrid food upon the very army and navy that fought for their interests.[9] In the words of one of Field's laudatory biographers, "the firm coined money"—a phrase which, for the volumes of significant meaning embodied in it, is an epitome of the whole profit system.

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[9] In those parts of this work relating to great fortunes from railroads and from industries, this phase of commercial life is specifically dealt with. The enormities brazenly committed during the Spanish-American War of 1898 are sufficiently remembered. Napoleon had the same experience with French contractors, and the testimony of all wars is to the same effect. The gigantic profiteering by American corporations during the World War of 1914-1918 was shown by the reports of the Federal Trade Commission, Congressional committees and by those of other official bodies. But even more so by the net income reported by the industrial corporations themselves. Calculating upon returns of a group of these, there was ground for

Some of the personnel of the firm changed several times: in 1865 Field, Leiter and Potter Palmer (who had also become a multimillionaire) associated under the firm name of Field, Leiter & Palmer. The great fire of 1871 destroyed the firm's buildings, but they were replaced. Subsequently the firm became Field, Leiter & Co., and, finally in 1887, Marshall Field & Co.[10] The firm conducted both a wholesale and retail business on what is called in commercial slang "a cash basis:" that is, it sold goods on immediate payment and not on credit. The volume of its business rose to enormous proportions. In 1884 it reached an aggregate of $30,000,000 a year; in 1901 it was estimated at fully $50,000,000 a year.

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concluding that the entire number of corporations in the United States gathered in approximately $4,800,000,000 more per year during three of the war years, 1916-1918, than during three of the pre-war years 1912-1914.

[10] So valuable was a partnership in this firm that, according to a writer of the time, Field paid Leiter "an unknown number of millions" when he bought out Leiter's interest.

Chapter IX

THE FIELD FORTUNE IN EXTENSO

IN CLOSE similarity to the start of the Astors and many other founders of great land fortunes, commerce was the original means by which Marshall Field obtained the money which he invested in land. Consecutively came a ramification of other revenue-producing properties. Once in motion, the process worked in the same admixed, interconnected way as it did in the amassing of contemporary large fortunes. It may be literally compared to hundreds of golden streams flowing from as many sources to one central point. From land, business, railroads, street railways, public utility and industrial corporations—from these and many other channels, prodigious profits kept, and still keep, pouring in ceaselessly. In turn, these formed ever newer and widening distributing radii of investments. The process, by its own resistless volition, became one of continuous compound progression.

LAND FOR ALMOST NOTHING

Long before the business of the firm of Marshall Field & Co. had reached the annual total of $50,000,000, Field, Leiter and their associates had begun buying land in Chicago. Little capital was needed for the purpose. The material growth of Chicago explains sufficiently how a few dollars put in land seventy-five or ninety years ago became in time an automatically-increasing fund of millions. A century or so ago the log cabin of John Kinzie was the only habitation on a site now occupied by a swarming, conglomerate, rushing population of 3,376,438.[1] Where the prairie land once stretched in solitude, a huge, roaring, choking city now stands, black with factories, the habitat of nearly three and a half millions of human beings, living in a whirlpool of excitement and tumult, presenting extremes of wealth and poverty, the many existing in dire straits, the few rolling in sovereign luxury.

Land, in the infancy of the city, was cheap; few settlers there were, and the future could not be foreseen. In 1830 one-quarter of an acre could be bought for $20; a few bits of silver, or any currency whatsoever, would secure to the buyer a deed carrying with it a title forever, with a perpetual right of exclusive ownership and a perpetual hold upon all succeeding generations. The more population grew, the greater the value their labor gave the land; and the keener their need, the more difficult it became for them to get land.

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[1] Census of 1930.

Within ten years—by about the beginning of the year 1840—the price of a quarter of an acre in the center of the city had risen to $1,500. A decade later the established value was $17,500, and in 1860, $282,000. Chicago was growing with great rapidity; a network of railroads converged there; mammoth factories, mills, grain elevators, packing houses—a vast variety of manufacturing and mercantile concerns set up in business, and brought thither swarms of workingmen and their families, led on by the need of food and the prospects of work. The greater the influx of workers, the more augmented became the value of land. Inevitably the greatest congestion of living resulted.

By 1870 the price of a quarter of an acre in the heart of the city bounded to $120,000, and by 1880, to $130,000.

IT BECOMES WORTH MILLIONS

During the next decade—a decade full of bitter distress to the working population of the United States, and marked by widespread suffering—the price shot up to $900,000. By 1894—a panic year, in which millions of men were out of work and in a state of appalling destitution—a quarter of an acre reached the gigantic value of $1,250,000.[2] At this identical time large numbers of the working class, which had so largely created this value, were begging vainly for work, and were being evicted by the tens of thousands in Chicago because they could not pay rent for their miserable, cramped habitations.

By exchanging a few hundred, or a few thousand dollars, in Chicago's extreme youth, for a scrap of paper called a deed, the buyer of this land found himself, after the lapse of years, a millionaire. It did not matter where or how he obtained the purchase money: whether he swindled, or stole, or inherited it, or made it honestly—so long as it was not counterfeit, the law was observed. After he got the land he was under no necessity of doing anything more than hold on to it, which same he could do equally well, whether in Chicago or buried in the depths of Kamschatka. If he choose, he could get chronically drunk; he could gamble, or drone in laziness; he could do anything but work. Nevertheless, the land and all its values which others created, were his forever, to enjoy and dispose of as suited his individual pleasure.

This was, and is still, the system. Thoroughly riveted in law, it was regarded as a rational, beneficent and everlasting fixture of civilized life—by the beneficiaries. And as these latter happened to be, by virtue of their possessions, among the real rulers of government, their conceptions and interests were embodied in law, thought and custom as the edict of civilization. The whole concurrent institutions of society, which were but the echo of property interests, pronounced the system wise and just, and, as a reigning force, do still so proclaim it. In such a state there was nothing abnormal in any man monopolizing land and exclusively appropriating its revenues. On the contrary, it was considered a superior stroke of business, a splendid example of astuteness. Marshall Field was looked upon as a very sagacious business man.

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[2] Eighth Annual Report, Illinois Labor Bureau: 370.

FIELD'S REAL ESTATE TRACTS

Field bought much land when it was of comparatively inconsequential value, and held on to it with a tenacious grip. In the last years of his life, his revenues from his real estate were uninterruptedly enormous.

"Downtown real estate in Chicago," wrote "a popular writer" in a typically effusive biographical account of Field published in 1901, "is about as valuable, foot for foot, as that in the best locations in New York City. From $8,000 to $15,000 a front foot are not uncommon figures for property north of Congress street, in the Chicago business district. Marshall Field owns not less than twenty choice sites and buildings in this section; not including those used for his drygoods business. In the vicinity of the Chicago University buildings he owns square block after block of valuable land. Yet farther south he owns hundreds of acres of land in the Calumet region—land invaluable for manufacturing purposes." This extension and centralization of land ownership were accompanied by precisely the same results as were witnessed in other cities, although these results were the sequence of the whole social and industrial system, and not solely of any one phase. Poverty grew in exact proportion to the growth of large fortunes; the one presupposed, and was built upon, the existence of the other. Chicago became full of slums and fetid, overcrowded districts; and if the density and congestion of population are not as great as in New York, Boston and Cincinnati, it is only because of more favorable geographical conditions.

Field's fortune was heaped up in about the last twenty years of his life. The celerity of its progress arose from the prolific variety and nature of his possessions. To form even an approximate idea of how fast wealth came in to him, it is necessary to picture millions of men, women and children toiling day after day, year in and year out, getting a little less than two parts of the value of what they produced, while almost nine portions either went to him entirely or in part. But this was not all. Add to these millions of workers the rest of the population of the United States who had to buy from, or in some other way pay tribute to, the many corporations in which Field held stock, and you get some adequate conception of the innumerable influxions of gold which poured into Field's coffers every minute, every second of the day, whether he were awake or asleep; whether sick or well, whether traveling or sitting stock still.

HIS INCOME: $500 TO $700 AN HOUR

This one man had the legal power of taking over to himself, as his inalienable property, his to enjoy, hoard, squander, bury, or throw in the ocean, if his fancy so dictated, the revenue produced by the labor of millions of beings as human as he, with the same born capacity for eating, drinking, breathing, sleeping and dying. Many of his workers had a better digestive apparatus which had to put up with inferior food, and, at times, no food at all. He could eat no more than three meals a day, but his daily income was enough to have afforded him ten thousand sumptuous daily meals, with exquisite "trimmings," while periods came when those who drudged for him were fortunate to have any meals at all. Few of his workers received as much as $2 a day; Field's income was estimated to be at the rate of about $500 to $700 an hour.

First—and of prime importance—was his wholesale and retail dry-goods business. This was, and is, a line of business in which frantic competition survived long after the manufacturing field had passed over into concentrated trust control. To keep apace with competitors and make high profits, it was imperative not only to resort to shifts, expedients and policies followed by competitors, but to improve upon, and surpass, those methods if possible. Field at all times proved that it was possible. No competing firm would pay a certain rate of wages but that Field instantly outgeneraled it by cutting his workers' wages to a point enabling him to make his goods as cheap or cheaper.

HIS EMPLOYEES' WRETCHED WAGES

In his wholesale and retail stores he employed not fewer than ten thousand men, women and children. He compelled them to work for wages which, in a large number of cases, were inadequate even for a bare subsistence. Ninety-five per cent. received $12 a week or less. The female sewing-machine operators who bent over their tasks the long day, making the clothes sold in the Field stores, were paid the miserable wages of $6.75 a week. Makers of socks and stockings were paid from $4.57 to $4.75 a week. The working hours were fifty-nine a week. Field also manufactured his own furniture as well as many other articles. Furniture workers were paid: Machine workers, $11.02, and upholsterers $12.47 a week. All of Field's wage workers were paid by the hour; should they fall sick, or work become slack, their pay was proportionately reduced.

The wretchedness in which many of these workers lived was pitiful in the extreme. Even in a small town where rent is not so high, these paltry wages would have been insufficient for an existence of partial decency. But in Chicago, with its forbidding rents, the increasing cost of all necessaries, and all of the other expenses incident to life in a large city, their wages were notoriously scanty.

Large numbers of them were driven to herding in foul tenements or evil dwellings, the inducements of which was the rent, a little lighter than could be had elsewhere. Every cent economized meant much. If an investigator (as often happened) had observed them, and had followed them to their wretched homes after their day's work, he would have noted, or learned of, these conditions: Their food was circumscribed and coarse—the very cheapest forms of meat, and usually stale bread. Butter was a superfluous luxury. The morning meal was made up of a chunk of bread washed down with "coffee"—adulterated stuff with just a faint odor of real coffee. At noon, bread and an onion, or a bit of herring, or a slice of cheap cheese composed their dinner, with perhaps a dash of dessert in the shape of sweetened substance, artificially colored, sold as "sake." For supper, cheap pork, or a soup bone, garnished occasionally in the season by stale vegetables, and accompanied by a concoction resembling tea. Few of these workers ever had more than one suit of clothes, or more than one dress. They could not afford amusements, and were too fatigued to read or converse. At night bunches of them bunked together—sometimes eight or ten in a single room; by this arrangement the rent of each was proportionately reduced.

As to the charge, common at that time, that low wages were the prime factor driving many girls and women into the business of prostitution, we have to approach the subject with many reservations. An article on prostitution in Chicago, by George Kibbe Turner, in McClure's Magazine, April, 1907, declared that young girl victims were "especially the low-paid employes of department stores and factories which furnish the majority of the English-speaking women in the profession in Chicago." In his rather sensational and vitriolic raking of Chicago, "If Christ Came to Chicago," William T. Stead, a noted British writer, dealt with the alleged effects of department store conditions in filling the ranks of prostitutes. And the reports of industrial commissions followed the same general lines.[3] At that period it was as much the indiscriminate style to attribute such results wholly to economic causes as a century previously it had been the custom to view prostitution as the certain evidence of "innate depravity." A more judicious or comprehensive view now recognizes a variety of leading or contributing factors, and although economic pressure, does, of course, have a direct effect yet too little is definitely known of all of the remoter causes to warrant full acceptance of one-sided and sweeping statements.

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[3] For instance, the report of the U. S. Industrial Commission of 1900. After giving the low wages paid to women in the different cities, it said: "It is manifest from the figures given that the amount of earnings in many cases is less than the actual cost of the necessities of life. The existence of such a state of affairs must inevitably lead in many cases to the adoption of a life of immorality and, in fact, there is no doubt that the low rate of wages paid to women is one of the most frequent causes of prostitution. The fact that the great mass of working women maintain their virtue in spite of low wages and dangerous environment is highly creditable to them." —Final Report of the Industrial Commission, 1902, xix:927.

Field was an astute organizer. He understood how to manipulate and use other men, and how to centralize business, and cut out the waste of mercantile operations. In the evolutionary scheme of business he played his important part and a very necessary part it was, for which he must be given full credit. His methods were in no respect different from those of the rest of the commercial world, as a whole. The only difference was that he was more conspicuous and more successful.

CENTERING ALL PROFITS IN HIMSELF

At a time when all business was run on the chaotic and desultory lines characteristic of the purely competitive age, he had the foresight and shrewdness to perceive that the storekeeper who depended upon the jobber and the manufacturer for his goods was largely at the mercy of those elements. Even if he were not, there were two sets of profits between him and the making of the goods—the jobber's profit and the manufacturer's.

Years before this vital fact was impressed upon the minds of the floundering retailers, Field understood, and acted upon, it. He became his own manufacturer and jobber. Thus he was complacently able to supply his department store with many goods at cost, and pocket the profits that otherwise would have gone to jobber and manufacturer. In, however, the very act of making three sets of profits, while many other stores made only one set, Field paid his employees at the retail store rate; that is to say, he paid no more in wages than the store which had to buy often from the jobber, who in turn, purchased from the manufacturer. With this salient fact in mind, one begins to get a clear insight into some of the reasons why Field made such enormous profits, and an understanding of the consequent contrast of his firm doing a business of $50,000,000 a year while thousands of his employees had to work for a pittance, He could have afforded to have paid them many times more than they were getting and still would have made large profits. But this would have been an imbecilic violation of that established canon of business: Pay your employees as little as you can, and sell your goods for the highest price you can get.

Field was one of the biggest dry goods manufacturers in the world. He owned, a writer set forth, scores of enormous factories in England, Ireland and Scotland. "The provinces of France," this eulogist went on, "are dotted with his mills. The clatter of the Marshall Field looms is heard in Spain, Italy, Germany, Austria and Russia. Nor is the Orient neglected by this master of fabrics. Plodding Chinese and the skilled Japs are numbered by the thousands on the payroll of the Chicago merchant and manufacturer. On the other side of the equator are vast woolen mills in Australia, and the chain extends to South America, with factories in Brazil and in other of our neighboring republics."

In all of these factories the labor of men, women and children was harshly exploited; in nearly all of them the workers were in an unorganized state, and therefore deprived of every vestige of self-protection. Boys and girls of tenderest age were mercilessly ground into dollars; their young life's blood dyed deep the fabrics which brought Field riches. In this dehumanizing business Field was only doing what the entire commercial aristocracy the world over was doing.

How extraordinarily profitable the business of Marshall Field & Co. was, may be seen in the fact that its shares (it became an incorporated stock company) were worth $1,000 each. At his death Marshall Field owned 3,400 of these shares, which the executors of his estate valued at $3,400,000.

From sources described came the money with which Field became a large landowner. Also, he became an industrial monarch. The inventory of his estates filed in court by his executors revealed that he owned stocks and bonds in about one hundred and fifty corporations, and he was a director of many. This itemized list showed that he owned many millions of bonds and stocks in railroads with the construction and operation of which he had nothing to do. The history of many of them reeked with thefts of public and private money; corruption of common councils, of legislatures, Congress and of administrative officials; land grabbing, fraud, illegal transactions, violence, and oppression not only of their immediate workers, but of the entire population." He owned—to give a few instances—$1,500,000 of Baltimore and Ohio stock; $600,000 of Atchison, Topeka and Sante Fe; $1,860,000 of Chicago and Northwestern, and tens of millions more of the stock or bonds of about fifteen other railroads.

He also owned an immense assortment of the stocks of a large number of trusts. The affairs of these trusts have been shown in court, at some time or other, as overflowing with fraud, the most glaring oppressions, and violations of law. He had $450,000 in stock of the Corn Products Company (the Glucose Trust); $350,000 of Biscuit Trust stock; $200,000 of American Tin Can Company (Tin Can Trust) stock; and large amounts of stock in other trusts. As an example of the methods of Trusts in which Field owned stock, we shall briefly refer to several of the mass of facts contained in a Government investigation of the Harvester Trust. His holdings in this were $370,000 worth of shares. The International Harvester Company had been organized in 1902 by the consolidation of five principal manufacturers of harvesting machines. It dominated the industry chiefly "by monopolistic combination, certain unfair competitive methods and superior command of capital." In years preceding Field's death, it paid, on its actual assets, dividends of from 11½ to nearly 13½ per cent.[5] The United States Steel Corporation—the Steel

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[4] The acts here summarized are narrated specifically in Part III, "Great Fortunes from Railroads."

[5] Report of the U. S. Bureau of Corporations on The International Harvester Company, 1913: xiii, 23 et seq.

Trust—of which Field was a director is dealt with elsewhere in this book. All of his stocks and bonds Field owned outright; he made it a rule never to buy a share of stock on margin or for speculative purposes. All told, he owned more than $55,000,000 in stocks and bonds. A very considerable part of these were securities of Chicago surface and elevated railway, gas, electric light and telephone companies in the securing of the franchises of some of which corruption had been notorious.

Chapter X

FURTHER VISTAS OF THE FIELD FORTUNE

BUT if only to give at the outset a translucent example of Field's methods in the management of industrial corporations, it is well to advert here to the operations of one of his many properties—the Pullman Company, otherwise called the "Palace Car Trust." This is a necessary part of the exposition in order to bring out more of the methods by which Field was enabled to fling together his vast fortune.

The artificial creation of the law called the corporation was so devised that it was comparatively easy for the men who controlled it to evade personal, moral, and often legal, responsibility for their acts. Governed as the corporation was by a body of directors, those acts became collective and not individual; if one of the directors were assailed he could plausibly take refuge in the claim that he was merely one of a number of controllers; that he could not be held specifically responsible. Thus the culpability was shifted, until it rested on the corporation, which was a bloodless thing, not a person.

FIELD'S PULLMAN WORKS

In the case of the Pullman Co., however, much of the moral responsibility could be directly placed upon Field, inasmuch as he, although under cover, was virtually the dictator of that corporation. According to the inventory of the executors of his will, he owned 8,000 shares of Pullman stock, valued at $800,000. It was asserted (in 1901) that Field was the largest owner of Pullman stock. "In the popular mind," wrote a puffer, probably inspired by Field himself, "George M. Pullman has ever been deemed the dominant factor in that vast and profitable enterprise." This belief was declared an error, and the writer went on: "Field is, and for years has been, in almost absolute control. Pullman was little more than a figurehead. Such men as Robert T. Lincoln, the president of the company, and Norman B. Ream are but representatives of Marshall Field, whose name has never been identified with the property he so largely owns and controls." That fulsome writer, with the usual inaccuracies and turgid exaggerations of "popular writers," omitted to say that although Field was long the controlling figure in the management of the Pullman works, yet other powerful American multimillionaires, such as the Vanderbilts, had also become large stockholders.

The Pullman Company, Moody stated, employed in 1904, in all departments of its various factories at different places, nearly 20,000 employees, and controlled 85 per cent of the entire industry.[1] As at least a part of the methods of the company have been the subject of official investigation, certain facts are available.

To give a brief survey, the Pullman Company was organized in 1867 to build sleeping cars of a feasible type officially patented by Pullman. In 1880 it bought five hundred acres of land near Chicago. Upon three hundred of these it built its plant, and proceeded, with much show and advertisement of benevolence, to build what is called a model town for the benefit of its workers. Brick tenements, churches, a library, and athletic grounds were the main features, with sundry miscellaneous accessories. This project was heralded far and wide as a notable achievement, a conspicuous example of the growing altruism of business.

THE NATURE OF A MODEL TOWN

Time soon revealed the inner nature of the enterprise. The "model town," as was the case with imitative towns, proved to be a cunning device with two barbs. It militated to hold the workers to their jobs in a state of quasi-serfdom, and it gave the company additional avenues of exploiting its workers beyond the ordinary and usual limits of wages and profits. In reality, it was one of the forerunners of an incoming feudalistic sway, without the advantages to the wage worker that the lowly possessed under medieval feudalism. It was also an apparent polished improvement, but nothing more, over the processes at the coal mines in Pennsylvania, Illinois and other States where the miners were paid the most meager wages, and were compelled to return those wages to the coal companies and bear an incubus of debt besides, by being forced to buy all of their goods and merchandise at company stores at extortionate rates. But where the coal companies did the thing boldly and crudely, the Pullman Company surrounded the exploitation with deceptive embellishments.

The mechanism, although indirect, was simple. While, for instance, the cost of gas to the Pullman Company was only thirty-three cents a thousand feet, every worker living in the town of Pullman had to pay at the rate of $2.25 a thousand feet. If he desired to retain his job he could not avoid payment; the company owned the exclusive supply of gas and was the exclusive landlord. The company had him in a clamp from which he could not well escape. The workers were housed in ugly little pens, called cottages, built in tight rows, each having five rooms and "conveniences." For each of these cottages $18 rent a month was charged. The city of Chicago, the officials of which were but the mannikins or hirelings of the industrial magnates, generously supplied the Pullman Company with water at four cents a thousand gallons. For this same water the company charged its employees ten cents a thousand gallons, or about seventy-one cents a month. By this plan the company, in addition, obtained its water supply for practically nothing. Even for having shutters on the houses the workers were taxed fifty cents a month. These are some specimens of the company's many devious instrumentalities for enchaining and plundering its thousands of workers.

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[1] "The Truth About the Trusts": 266-267.

In the panic year of 1893 the Pullman Company reduced wages one-fourth, yet the cost of rent, water, gas—of nearly all other fundamental necessities—remained the same. As the average yearly pay of at least 4,497 of the company's wage workers was little more than $600—or, to be exact, $613.86—this reduction, in a large number of cases, was equivalent to forcing these workers to yield up their labors for substantially nothing. Numerous witnesses testified before the special commission appointed later by President Cleveland, that at times their bi-weekly checks ran variously from four cents to one dollar. The company could not produce evidence to disprove this. The sums represented the company's indebtedness to them for their labor, after the company had deducted rent and other charges. Such manifold robberies aroused the bitterest resentment among the company's employees, since especially it was a matter of authentic knowledge, disclosed by the company's own reports, that the Pullman factories were making enormous profits. At this time, the Pullman workers were $70,000 in arrears to the company for rent alone.

THE PULLMAN EMPLOYEES STRIKE

Finally plucking up courage—for it required a high degree of moral bravery to subject themselves and their families to the further want inevitably ensuing from a strike—the workers of the Pullman Company demanded a restoration of the old scale of wages. An arrogant refusal led to the declaration of a strike on May 11, 1894. This strike, and the greater strike following, were termed by Carroll D. Wright, for a time United States Commissioner of Labor, as "probably the most expensive and far-reaching labor controversy which can properly be classed among the historic controversies of this generation."[2] The American Railway Union, composed of the various grades of workers on a large number of railroads, declared a general sympathetic strike under the delegated leadership of Eugene V. Debs.

The strike would perhaps have been successful had it not been that the entire powers of the National Government, and those of most of the States affected, were used roughshod to crush this mighty labor uprising. The whole newspaper press, with rare exceptions, spread the most glaring falsehoods about the strike and its management. Debs was personally and venomously assailed in vituperation that has had little equal. To put the strikers in the attitude of sowing violence, the railroad corporations deliberately instigated the burning or destruction of their own cars (they were cheap, worn-out freight cars), and everywhere had thugs and roughs as its emissaries to preach, and provoke, violence.[3] The object was threefold: to throw the onus upon the strikers of being a lawless body; to give the newspapers an opportunity of inveighing with terrific effect against the strikers, and to call upon the Government for armed troops to shoot down, overawe, or in other ways thwart, the strikers.

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[2] "Industrial Evolution of the United States," 313.

Government was, in reality, directed by the railroad and other corporations. United States judges, at the behest of the railroad companies (which had caused them to be appointed to the Bench), issued extraordinary, unprecedented injunctions against the strikers. These injunctions even prevented the strikers from persuading fellow employees to quit work. So utterly without any basis in law were these injunctions that the Federal Commission reported: "It is seriously questioned, and with much force, whether the courts have jurisdiction to enjoin citizens from 'persuading' each other in industrial matters of common interest." But the injunctions were enforced. Debs and his comrades were convicted of contempt of court and, without jury trial, imprisoned at a critical juncture of the strike. And what was their offense? Nothing more than seeking to induce other workers to take up the cause of their striking fellow-workers. The judges constituted themselves as prosecuting attorney, judge and jury. Never had such high-handed judicial usurpation been witnessed. As a concluding stroke, President Cleveland ordered a detachment of the United States army to Chicago. The pretexts were that the strikers were interfering with interstate commerce and with the carrying of mails.

VAST PROFITS AND LOW WAGES

That the company's profits were great at the identical time the workers were curtailed to a starvation basis, there can be no doubt. The general indignation and agitation caused by the summary proceedings during the strike, compelled President Cleveland to appoint a commission to investigate. Cleveland was a mediocre politician who, by a series of fortuitous circumstances, had risen from ward politics to the Presidency. After using the concentrated power of the Federal Government to break the strike, he then decided to "investigate" its merits. It was the shift and ruse of a typical politician.

The Special Commission, while not selected of men who could in the remotest degree be accused of partiality toward the workers, brought out a volume of significant facts, and handed in a report marked by considerable and unexpected fairness. The report showed that the Pullman Company's capital had been increased from $1,000,000 in 1867 to $36,000,000 in 1893. "Its prosperity," the Commission reported, "has enabled the company for over twenty years to pay two per cent. quarterly dividends. But this eight per cent. annual dividend was not all. In certain years the dividends had ranged from nine and one half, to twelve, per cent. In addition, the Commission further reported, the company had laid by a reserve fund in the form of a surplus of $25,000,000 of profits which had not been divided. For the year ending July 31, 1893, the declared dividends were $2,520,000; the wages $7,223,719.51. During the next year, when wages were cut one-fourth, the stockholders divided an even greater amount in profits: $2,880,000. Wages went to $4,471,701.39.[4]

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[3] Parsons, "The Railways, the Trusts and the People": 196. Also, Report of Chicago Chief of Police for 1894. This was a customary practice of railroad, industrial and mining capitalists. Further facts are brought out in other parts of this work.

If Field's revenue was so proportionately large from this one property —the Pullman works—it is evident that his total revenue from the large array of properties which he owned, or in which he held bonds or stock, was very great.

It is probable that in the latter years of his life his annual net income was, at the very least, $5,000,000. This is an extremely conservative estimate. More likely it reached $10,000,000 a year. Computing the sum upon which the average of his workers had to live (to make a very liberal allowance) at $800 a year, this sum of $5,000,000 flowing in to him every year, without in the slightest trenching upon his principal, was equal to the entire amount that 6,250 of his employees earned by the skill of their brains and hands, and upon which they had to support themselves and their families.

Here, then, was one individual who appropriated to his use as much as six thousand men and more who laboriously performed service to the community. For that $5,000,000 a year Field had nothing to do in return except to worry over the personal or business uses to which his surplus revenues should be put; like a true industrial monarch he relieved himself of superfluous cares by hiring the ability to supervise and manage his properties for him.

Such an avalanche of riches tumbled in upon him that, perforce, like the Astors, the Goelets and other multimillionaires, he was put constantly to the terrible extremity of seeking new fields for investment. Luxuriously as he might live, it would have required a superior inventive capacity to have dissipated his full income. But judging his life by that of some other multimillionaires, he lived modestly. Of medium height and spare figure, he was of rather unobtrusive appearance. In his last years his hair and mustache were white. His eyes were gray and cold; his expression one of determination and blandly assertive selfishness. His eulogists, however, have glowingly portrayed him as "generous, philanthropic and public-spirited."

"A MODEL OF BUSINESS INTEGRITY"

In fact, it was a point descanted upon with extraordinary emphasis during Field's lifetime and following his demise that, (to use the stock phrase which with wearying ceaselessness went the rounds of the press), he was "a business man of the best type." From this exceptional commentary it can be seen what was the current and rooted opinion of the character of business men in general. Field's rigorous exploitation of his tens of thousands of workers in his stores, in his Pullman factories, and elsewhere, was not a hermetically sealed secret; but this exploitation, no matter to what extremes it was carried, was an ordinary routine of prevailing business methods.[5]

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[4] "Report on the Chicago Strike of June and July, 1894," by the United States Strike Commissioners, 1895.

Of the virtual enslavement of the worker; of the robbing him of what he produced; of the drastic laws enforced against him; of the debasement of men, women and children—of all of these facts the organs of public expression, the politicians and the clergy, with few exceptions, said nothing.

Everywhere, except in obscure quarters of despised workingmen's meetings, or in the writings or speeches of a few intellectual protestors, the dictum was proclaimed and instilled that conditions were just and good.

HE WITHHOLDS MILLIONS IN TAXES

Marshall Field, as we have said, was heralded far and wide as an unusually honest business man, the implication being that every cent of his fortune was made fairly and squarely. Those fawners to wealth, and they were many, who persisted in acclaiming his business methods as proper and honorable, were grievously at a loss for an explanation when his will was probated, and it was found that even under the existing laws, favorable as they were to wealth, he had been nothing more than a persistent tax evader. It was too true, alas! This man "of strict probity" had to be catalogued with the rest of his class.

For many years he had insisted on paying taxes on personal property on a valuation of not more than $2,500,000; and the pious old shopkeeper had repeatedly threatened, in case the board of assessors should raise his assessment, that he would forthwith bundle off his domicile from Chicago, and reside in a place where assessors refrain from too much curiosity as to one's belongings. But lo! when the schedule of his property was filed in court, it was disclosed that for many years he had owned at least $17,500,000 of taxable personal property subject to the laws of the State of Illinois. Thus was another idol cruelly shattered; for the aforesaid fawners had never tired of exulting elaborately upon the theme of Field's success, and how it was due to his absolute integrity and pure, undefiled character.

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[5] Sweeping as this statement may impress the uninitiated, it is entirely within the facts. As one of many indisputable confirmations it is only necessary to refer to the extended debate over child labor in the United States Senate on January 23, 28, and 29, 1907, in which it was conclusively shown that more than half a million children under fifteen years of age were employed in factories, mines and sweatshops. It was also brought out how the owners of these properties bitterly resisted the passage or enforcement of restrictive laws. The long continuing agitation against employment of child labor came to a head in 1924 when Congress adopted a joint resolution proposing to the Legislatures of the several States an amendment to the Constitution. This empowered Congress to limit, regulate and prohibit the labor of persons under eighteen years of age. Up to 1935 it was ratified by 21 States; ratification by 36 is necessary. But under a decision of the Supreme Court of the United States in 1921, "ratification must be within some time after the proposal," and a committee of the American Bar Association reported in 1934 that, in its opinion, no ratification after January 2, 1933, would be lawful.

At another time the facts might have been suppressed or toned down. But at this particular juncture Chicago happened to have a certain corporation counsel who, while mildly infected with conventional views, was not a truckler to wealth. Suit was brought in behalf of the city for recovery of $1,730,000 back taxes. So clear was the case that the trustees of Field's estate decided to compromise. On March 2, 1908, they delivered to John R. Thompson, treasurer of Cook County, a check for one million dollars. If the compound interest for the whole series of years during which Field cheated in taxation were added to the $1,730,000, it would probably have been found that the total amount of his pocketing of tax money reached several million dollars.

The chorus of astonishment that ascended when these facts were divulged was an edifying display. He who did not know that the rich made a regular profession of perjury and fraud in order to cheat the public treasury out of taxes, was either deliciously innocent or singularly uninformed. Year after year a host of municipal and State officials throughout the United States issued reports showing this widespread condition. Yet aside from their verbose complainings, which served political purpose in giving an air of official vigilance, the authorities did nothing.

PERJURY AND CHEATING COMMON

As a matter of fact, the evasion of taxes by the Pullman Company had been a public scandal for many years. John P. Altgeld, Governor of Illinois in 1893-95, frequently referred to it in his speeches and public papers. Field, then, not only personally deprived the public treasury of millions, but also the corporations which he controlled did likewise. The wealthy propertied class everywhere did the same. The unusually thorough report of the Illinois Labor Bureau of 1894 demonstrated how the most valuable land and buildings in Chicago were assessed at the merest fraction of their true value—the costliest commercial buildings at about one-tenth, and the richest residences at about one-fourteenth, of their actual value. As for personal property it contributed a negligible amount in taxes.[6]

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[6] Eighth Biennial Report of the Illinois Bureau of Labor Statistics, 1894. The report, made public in August, 1909, of the Illinois Tax Reform League's investigation of the Chicago Board of Review's assessments, showed that these frauds in evading taxation not only continue, but on a much greater scale than ever before. The Illinois Tax Reform League asserted, among other statements, that Edward Morris, head of a large packing company, was not assessed on personal property, whereas he owned $43,000,000 worth of securities, which the League specified. The League called upon the Board of Review to assess J. Ogden Armour, one of the chiefs of

The reports of the tax committee of the Boston Executive Business Association in 1891 estimated that two billion dollars of property in Boston escaped taxation, and that the public treasury was cheated out of about $17,000,000 in taxes every year. As for New York City, we have seen how the Astors, the Schermerhorns, the Goelets—the whole aggregate of the propertied class—systematically defrauded in taxes for many decades. It is estimated that in New York City, at present, not less than five billion dollars of property, real and personal, entirely escapes taxation. This estimate is a conservative one.

Spahr, after an exhaustive investigation in the United States, concluded more than a decade ago that, "the wealthy class pay less than one-tenth of the indirect taxes, the well-to-do less than one-quarter, and the relatively poorer classes more than two-thirds." [7] What Spahr omitted was this highly important qualification: When the rich did pay. Tenants of the property owners had to pay their rent on time or suffer eviction, but the capitalists were allowed to take their own leisurely time in paying such portion of their taxes as remained after the bulk of the tax list had been perjured away. Thus in a report he made public on February 28, 1908, Controller Metz, of New York City, pointed out that the huge amount of $102,834,227, was due the city in uncollected taxes, much of which amount ran several decades back. Of this sum $29,816,513 was owed on real estate, on which the taxes were a direct lien.

The beauties of law, as made and enforced by the property interests, were herein illustriously exemplified. A poor tenant could be instantly dispossessed, whether sick or in destitution, for non-payment of rent; the landowner was allowed by officials who represented and deferred to him and his class, to owe large amounts in taxes for long periods, and not a move was taken to dispossess him.

But, as regards recent times, it may be added that the rich have not had so easy a time in deferring payment of local taxes. Hard pressed for funds, municipalities have been forced to avoid laxity in the matter of real-estate taxes. But a favorite method of the large estates still is to engage men skilled in presenting arguments before the tax authorities as reasons why assessments should be reduced. The persuasions of these advocates are often successful.

And now by the most natural gradation, we come to those much bepraised acts of our multi-millionaires—the seignorial donating of millions to "charitable" or "public-spirited" purposes.

Like the Astors, the Schermerhorns, the Rhinelanders and a galaxy of others, Field diffused large sums; he, like them, was overwhelmed with panegyrics. Millions Field gave toward the founding and sustaining of

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the Beef Trust, on $30,840,000 of personal property. Armour was being yearly assessed on only $200,000 of personal property. These are two of the many instances given in the report in question. It is estimated (in 1909), that back taxes on at least a billion dollars of assessable corporate capital stock, are due the city from a multitude of individuals and corporations.

[7] "The Present Distribution of Wealth in the United States": 143.

the Field Columbian Museum in Chicago, and to the University of Chicago. It may be parenthetically added that (to repeat) he owned, adjacent to this latter institution, many blocks of land the increased value of which, after the establishment of the University, more than recouped him for his gifts. This might have been either accidental or it might have been cold calculation; judging from Field's consistent methods, it was probably not chance.

So composite, however, is the human character, so crossed and seamed by conflicting influences, that at no time is it easy to draw any absolute line between motives. Merely because he exploited his employees mercilessly, and cheated the public treasury out of millions of dollars, it did not necessarily follow that Field was utterly deficient in redeeming traits. As business is conducted, it is well known that many successful men (financially) who practice the most cruel and oppressive methods, are, outside the realm of strict business transactions, expansively generous and kind. In business they are beasts of prey, because under the capitalist system, competition, whether between small or large concerns, is reduced to a cutthroat struggle, and those who are in the contest must abide by its desperate rules. They must let no sympathy or tenderness interpose in their business dealings, else they are lost.

But without entering into a further philosophical disquisition, this fact must be noted: The amounts that Field gave for "philanthropy" were about identical with the sums out of which he defrauded Chicago in the one item of taxes alone. Probed into, it is often seen that a part of the sums that multimillionaires gave, represented but a tithe of the sums cheated by them in taxes. Thus did our magnates supply themselves with contemporaneous and posthumous fame gratuitously. Not to consider the far greater and incalculably more comprehensive question of their appropriating the resources of the country and the labor of hundreds of millions of people,[8] and centering attention upon this one concrete instance of frauds in taxes, the situation presented was an incongruous one. Money belonging to the public treasury they retained by fraud; this money, apparently a part of their "honestly acquired" fortune, was given in some form of philanthropy; and then by some curious oversetting of even conventional standards, they reaped blessings and glory for giving what were really pirated funds.

"Those who enjoy his confidence," wrote an effervescent eulogist of Field, "predict that the bulk of his vast fortune will be devoted to purposes of public utility." But this prediction did not materialize.

$140,000,000 TO TWO BOYS

Field's fortune, conservatively estimated at $100,000,000 yet, in fact, reaching perhaps $140,000,000 was largely bequeathed to his two grandsons, Marshall Field III, then twelve years old, and Henry Field, eight years old. As did most multimillionaires of his period, Field welded his fortune into a compact and vested institution. It ceased to be a personal attribute, and became a thing, an inert mass of wealth, a corporate entity. This he did by creating, in the terms of his will, a trust of his estate. The will was an extraordinarily intricate document. To Marshall three-fifths were bequeathed, and two-fifths to Henry. The income that they were to receive at different ages was specified, and as for the bulk of the estate they were not to come into full possession until they were fifty years of age.

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[8] "Hundreds of millions of people." Not only were the 85,000,000 people of the United States compelled to render tribute, but peoples of other countries all over the globe. America's present population of 126,000,000 supplies, of course, a much greater national field for extracting revenue in profits.

When Field died he had about $4,500,000 in banks.

The fortune that he left was principally in the form of real estate and bonds and stocks. These constituted a far more effective cumulative agency than money. They were, and are, inexorable mortgages on the labor of millions of workers, men, women and children, of all occupations. By this simple screed, called a will, embodying one man's capricious indulgence, these boys, utterly incompetent even to grasp the magnitude of the fortune owned by them, and incapable of exercising the glimmerings of management, were given legal, binding power over a mass of people for generations. Patterson wrote that in the Field stores and Pullman factories many thousands of people worked for these boys.[9] But these were the direct employees; as we have seen, Field owned bonds and stock in scores of industrial, railroad, mining and other corporations. The workers of all these toiled for the Field boys.

The prevalent practice of multimillionaires leaving huge estates in trust for long periods engaged the earnest attention of the U. S. Commission on Industrial Relations. The American law of inheritance, it reported in 1915, ran counter to the whole theory of American society, and, with some variations, was adopted from English law. "In effect, the American law of inheritance is as efficient for the maintainance and establishment of families as is English law [as then existing] which has bulwarked the British aristocracy for centuries. Every year, indeed, sees this tendency [in America] increase, as the creation of 'estates in trust' secures the ends . . . " The report told how practically all American millionaire estates were so invested and hedged about with restrictions upon expenditure that, to all intents and purposes, they were perpetuities. "An analysis of fifty of the largest American fortunes shows that nearly one-half have already passed to the control of trustees (their vice-regents) and that the remainder will pass to the control of heirs within twenty years, upon the deaths of founders."[10]

While still in knickerbockers, the Field boys were the beneficiaries of lordly incomes. At the same time, between one-fourth and one-third of the male workers, 18 years of age and over, in American factories and mines were paid less than $10 a week. The wages of from two-thirds to three-fourths were less than $15, and only about one-tenth were paid more than $20 a week. From two-thirds to three-fourths of the girl and women workers in factories, stores and laundries, and in industrial occupations generally, received wages of less than $8 a week; approximately one-fifth were paid less than $4, and nearly one-half less than $6 a week.

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[9] "Marshall Field's Will" by Joseph Medill Patterson. Reprinted in pamphlet form from "Collier's Weekly."

[10] Report of the U. S. Commission on Industrial Relations, 1916, 1:32.

The appalling rate at which poverty killed babies was shown by an official investigation in an industrial town. There it was found that the babies whose fathers were paid less than $10 a week died during the year at the rate of 256 per 1,000. On the other hand, in cases where the fathers earned $25 or more a week, the baby death rate was only 84 per thousand. In general, babies of the poor died at three times the rate of those in moderately well-to-do families. Statistics gathered in six of the largest American cities tended to show that from 12 to 20 per cent of the children were manifestly underfed and undernourished.

Compared to the mass of workers, the number paid what were classed as high salaries was relatively small. The yearly incomes of railroad engineers and conductors, glass blowers, certain steel mill employees and a proportion of the building trades ranged from $1,500 to $2,000. And these remained the prevailing conditions up to 1917 when the United States entered the World War, when there was a general increase of wages, although it was negatived by the rapidly mounting cost of living.

Specifically turning to the Pullman Company, dominated by the Marshall Field fortune, what were the skilled workers in its factories paid at the time the Field boys came into their inheritance? Blacksmiths, $16.43; boilermakers, $17; carpenters, $12.38; machinists, $16.65; painters, $13.60; and laborers, $9.90 a week.

But it is when we turn to the testimony before and the report of the U. S. Commission on Industrial Relations that we get a closer idea of the connection between the Pullman Company and Marshall Field & Co. L. S. Hungerford, General Manager of the Pullman Company, testified in 1915 that for years previously Pullman employees had been and still were required to buy their uniforms from Marshall Field & Co. Commissioner O'Connell inquired: "All the profit that is made goes to Marshall Field & Co.?" "Yes," was the answer.

In its report the Commission set forth that its investigations developed admissions by the Pullman Company officials that Pullman conductors and porters were underpaid. The report specified a list of proved facts: "The standard salary of the porters ($27.50 per month) is such that the porters are obliged to secure tips from the public in order to live. The Pullman Company is admitted by the Chairman of the Board of Directors to be the direct beneficiary of the tips from the public to the extent of the difference between a fair wage and that which is now paid." The report told how the company's regulations allowed porters and conductors when in service only four hours' sleep per night, and the company severely penalized them if they slept during the time they were expected to be on duty.

"Employees of the Pullman Company," the report went on, "are subject to many other abuses, among which may be mentioned the abitrary deduction from their salaries for such time as they may not be needed for the actual service of the company, although they are required to report at the office each morning and are sometimes compelled to wait the greater part of the day without compensation; the requirement that porters shall furnish blacking, although they are not permitted to charge passengers for the service of shoe cleaning; the system of arbitrary penalties for the infraction of multitudinous rules; the requirement that all employees shall purchase their uniforms from one mercantile establishment [Marshall Field & Co.] the owners of which are largely interested in the Pullman Company; and the lack of provision of sleeping quarters for employees when away from their home stations." The Commission declared that "the effect of the tipping system is not only to degrade those who are obliged by their economic conditions to accept tips but to promote discrimination in the service of the public." It recommended a severe law against such tipping. (But the practice still goes on.) The report further told how Pullman Company employees were subjected to an elaborate system of espionage, and any of them known to be a labor union member was discharged.

Then the report contrasted the conditions with the Pullman Company's over-capitalization which had been increased from $36,000,000 in 1893 to $120,000,000 in 1915 without the investment of a single dollar on the part of the stockholders. On the basis of actual cash paid in, annual dividends were 29 per cent.[11] Such was one of the varied sources piling up ever greater masses of wealth for the Field boys. They were reared and educated in England where their aunt, a daughter of "the merchant prince," lived; she had married the naval officer who became Admiral and Lord Beatty. During the World War, Marshall Field served in the American Army, attaining the rank of Captain. Henry died in 1918; he left a son, born out of wedlock, and the mother took proceedings in the effort to obtain a share of the Field estate for him. At the same time Marshall sought a juridical construction of the will which was attacked as contrary to public policy, because it kept on accumulating a huge fortune.

"One cannot but be astonished, as he follows the provisions of the will," argued Marshall Field's lawyer in the Superior Court, in Chicago, in May, 1920, "at the amazing complications of the scheme by which the testator sought to tie up his property. He seems to have personified the accumulation of property, and to have regarded accumulation for the sake of accumulation." On the other hand, John P. Wilson, attorney for the Marshall Field estate, contended that Field's purpose in tying up his great fortune was to protect his descendants from "leading useless lives of luxury and idleness."

It was on this occasion that Wilson stated the amounts Captain Marshall Field was then receiving and would further receive. Field, he declared, was then getting an annual income of $40,000 from the trust fund; $70,000 a year for his services as trustee for the estate; and $450,000 which the will provided should be paid him every five years, beginning at the age of twenty-five years. (He was then twenty-eight years old.) "At the age of thirty," Wilson went on, "Captain Field will receive under the will one-sixth of the income of the residuary estate. This will amount to $500,000. When he is thirty-five years old, the income will amount to $1,200,000 a year, and, when he is forty years of age it will reach $1,800,000. When he becomes forty-five years old, he will receive the accumulated income ($90,000,000) on the entire estate up to that time, and five years later will get the additional income and principal" (which in 1920 was estimated at $80,000,000). On June 12, 1920, the court held that Henry Field's illegitimate son was not entitled to any share of the estate, and a decree was entered establishing Marshall Field's right to the full income of Henry's two-fifths of the share of the estate.

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[11] Ibid., Vol. 1:76-77, and Vol. 10:9568 et seq.

Although having a large residence on Lake Shore Drive, Chicago, Marshall Field made his home in New York, and he provided himself with a country estate in the exclusive Long Island section by buying, in 1921, a tract of 1,630 acres at Lloyd's Neck, near Huntington. For this he paid $1,500,000, and it gave him the largest private estate on Long Island. The income tax, low then compared to what it now is, took away a part of his 1924 income; in 1925, (the one year in which individual income tax payments were made public) he was taxed $226,000 in New York and a further amount in Chicago, while the estate left by his grandfather paid $927,000, and the firm of Marshall Field & Co., $1,165,000. In 1930 the value of the fortune inherited by the present Marshall Field was estimated in published accounts at fully $300,000,000, but how near or far away from the actual amount this estimate was it is not possible to say, especially considering the acute business depression which set in. The fortune, nevertheless, was enormous, and particularly so contrasting it with the dire poverty in which so many millions were plunged by unemployment. When, after his first wife obtained a divorce, Marshall Field married in London, in 1930, the newspapers there devoted a large and respectful amount of space to the momentous occasion signalized by so notable a monarch of wealth. In 1934 he was again divorced and, in 1936, again married. He was, in 1936, a director of Marshall Field & Co., and of various railroad and other corporations, and, among his personal enterprises, was president of the Philharmonic Symphony Society of New York.

PART III

THE GREAT FORTUNES FROM RAILROADS, TRUSTS, BANKS AND OTHER SOURCES

Chapter I

THE SEIZURE OF THE PUBLIC DOMAIN

BEFORE setting out to relate in detail the narrative of the amassing of the great individual fortunes from railroads, it is advisable to present a preliminary survey of the concatenating circumstances leading up to the time when these vast fortunes were rolled together. Without this explanation, this work would be deficient in clarity, and would leave unelucidated many important points, the absence of which might puzzle or vex the reader.

Although industrial establishments, as exemplified by mills, factories and shops, much preceded the construction of railroads, yet the next great group of fortunes to develop after, and along with, those from land were the fortunes plucked from the control and manipulation of railroad systems.

THE LAGGING FACTORY FORTUNES

Under the first stages of the old chaotic competitive system, in which factory warred against factory, and an intense struggle for survival and ascendancy enveloped the whole tense sphere of manufacturing, no striking industrial fortunes were made.

Fortunate was that factory owner regarded who could claim $250,000 clear. All of those modern and complex factors offering such unbounded opportunities for gathering in spoils mounting into the hundreds of millions of dollars, were either unknown or in an inchoate or rudimentary state. Invention, if we may put it so, was just blossoming forth. Hand labor was largely prevalent. Huge combinations were undreamed of; paper capitalization as embodied in the fictitious issues of immense quantities of bonds and stocks was not yet a part of the devices of the factory owner, although it was a fixed plan of the bankers and insurance companies.

The factory owner was the supreme type of that sheer individualism which had burst forth from the restraints of feudalism. He stood alone fighting his commercial contests with persistent personal doggedness. Beneath his occasional benevolence and his religious professions was a wild ardor in the checkmating or bankruptcy of his competitors. These were his enemies; he fought them with every mercantile weapon, and they him; and none gave quarter.

Apart from the destructive character of this incessant warfare, doom ing many of the combatants, other intervening factors had the tendency of holding back the factory owners' quick progress—obstacles and drawbacks copiously described in later and more appropriate parts of this work.

MIGHT OF THE RAILROAD OWNERS

In contrast to the slow, almost creeping pace of the factory owners in the race for wealth, the railroad owners sprang at once into the lists of mighty wealth-possessors, armed with the most comprehensive and puissant powers and privileges, and vested with a sweep of properties beside which those of the petty industrial bosses were puny. Railroad owners, we say; the distinction is necessary between the builders of the railroads and the owners. The one might construct, but it often happened that by means of cunning, fraud and corruption, the builders were superseded by another set of men who vaulted into possession.

Looking back and summing up the course of events for a series of years, it may be said that there was created over night a number of entities empowered with extraordinary and far-reaching rights and powers of ownership.

These entities were called corporations, and were called into being by law. Beginning as creatures of law, the very rights, privileges and properties obtained by means of law, soon enabled them to become the dictators and masters of law. The title was in the corporation, not in the individual; hence the men who controlled the corporation swayed the substance of power and ownership. The factory was usually a personal affair, owned by one man or in co-partnership; to get control of this property it was necessary to get the owner in a financial corner and force him to sell out, for, as a rule, he had no bond or stock issues. But the railroad corporation was a stock corporation; whoever secured control of a majority of the stock became the legal administrator of its policies and property. By adroit manipulation, intimidation, superior knavery, and the corrupt domination of law, it was always easy for those who understood the science of rigging the stock market, and that of strategic undermining, to wrest the control away from weak or (treating the word in a commercial sense) incompetent, holders. This has been long shown by a succession of examples.

THE LEGALIZING OF CUNNING

Thus this situation, so singularly conflicting with the theoretical majesty of the law, was frequently presented: A band of men styling themselves a corporation received a perpetual charter with the most sweeping rights and properties. In turn, the law interposed no effective hindrance to the seizing of their possessions by any other group proving its power to grasp them. All of this was done under nominal forms of law, but differed little in reality from the methods during medieval times when any baron could take another baron's castle and land by armed force, and it remained his until a stronger man came along and proved his title likewise.

Long before the railroad had been accepted commercially as a feasible undertaking, the trading and land-owning classes, as has been repeatedly pointed out, had demonstrated very successfully how the forms of government could be perverted to enrich themselves at the expense of the working population.

Taxation laws, as we have seen, were so devised that the burden in a direct way fell lightly on the shipping, manufacturing, trading, banking and land-owning classes, while indirectly it was shoved almost wholly upon the workers, whether in shop, factory or on farm. Furthermore, the constant response of Government, municipal, State and National, to property interests, has been touched upon; how Government loaned vast sums of public money, free of interest, to the traders, while at the same time refusing to assist the impoverished and destitute; how it granted immunity from punishment to the rich and powerful, and inflicted the most drastic penalties upon poor debtors and penniless violators of the law; how it allowed the possessing classes to evade taxation on a large scale, and effected summarily cruel laws permitting landlords to evict tenants for non-payment of rent. These and many other partial and grievously discriminative laws have been referred to, as also the refusal of Government to interfere in the slightest with the commercial frauds and impositions constantly practiced, with all their resulting great extortions, upon the defenceless masses.

Of the long-prevailing frauds on the part of the capitalists in acquiring large tracts of public land, some significant facts have been brought out in preceding chapters. Those facts, however, are only a few of a mass. When the United States Government was organized, most of the land in the North and East was already expropriated. But immense areas of public domain still remained in the South and in the Middle West. Over much of the former Colonial land the various legislatures claimed jurisdiction, until, one after another, they ceded it to the National Government. With the Louisiana purchase, in 1805, the area of public domain was enormously extended, and consecutively so later after the Mexican war.

THE LAND LAWS AGAINST THE POOR

From the very beginning of the Government, the land laws were arranged to discriminate against the poor settler. Instead of laws providing simple and inexpensive ways for the poor to get land, the laws were distorted into a highly effective mechanism by which companies of capitalists, and individual capitalists, secured vast tracts for trivial sums. These capitalists then either held the land, or forced settlers to pay exorbitant prices for comparatively small plots. No laws were in existence compelling the purchaser to be a *bona fide* settler. Absentee landlordism was the rule. The capitalist companies were largely composed of Northern, Eastern and Southern traders and bankers. The evidence shows that they employed bribery and corruption on a great scale, either in getting favorable laws passed, or in evading such laws as were on the statute books by means of the systematic purchase of the connivance of Land Office officials.

By act of Congress, passed on April 21, 1792, the Ohio Land Company, for example, received 100,000 acres, and in the same year it bought 892,900 acres for $642,856.66. But this sum was not paid in money. The bankers and traders composing the company had purchased, at a heavy discount, certificates of public debt and army land warrants, and were allowed to tender these as payment.[1] The company then leisurely disposed of its land to settlers at an enormous profit. Nearly all of the land companies had banking adjuncts. The poor settler, in order to settle on land that a short time previously had been national property, was first compelled to pay the land company an extortionate price, and then was forced to borrow the money from the banking adjuncts, and give a heavy mortgage, bearing heavy interest, on the land.[2] The land companies always took care to select the very best lands. The Government documents of the time are full of remonstrances from legislatures and individuals complaining of these seizures, under form of law, of the most valuable areas. The tracts thus appropriated comprised timber and mineral, as well as agricultural, land.

VAST TRACTS SECURED BY BRIBERY

One of the most scandalous land-company transactions was that involving a group of Southern and Boston capitalists. In January, 1795, the Georgia Legislature, by special act, sold millions of acres in different parts of the State of Georgia to four land companies. The people of the State were convinced that this purchase had been obtained by bribery. It was made an election issue, and a Legislature, comprising almost wholly new members, was elected. In February, 1796, this Legislature passed a rescinding act, declaring the act of the preceding year void, on the ground of its having been obtained by "improper influence." In 1803 the tracts in question were transferred by the Georgia Legislature to the United States Government.

The Georgia Mississippi Land Company was one of the four companies. In the meantime, this company had sold its tract, for ten cents an acre, to the New England Mississippi Land Company. Although committee after committee of Congress reported that the New England Mississippi Land Company had paid little or no actual part of the purchase price, yet that company, headed by some of the foremost Boston capitalists, lobbied in Congress for eleven years for an act giving it a large indemnity. Finally, in 1814, Congress passed an indemnification act, under which the eminent Bostonians, after ten years more lobbying, succeeded in getting an award from the United States Treasury of $1,077,561.73. The total amount appropriated by Congress on the pretense of settling the claims of the various capitalists in the "Yazoo Claims" was $1,500,000.[3] The ground upon which this appropriation was made by Congress was that the Supreme Court of the United States had decided that, irrespective of the methods used to obtain the grant from the Georgia Legislature, the grant, once made, was in the nature of a contract which could not be revoked or impaired by subsequent legislation. This was the first of a long line of court decisions validating grants and franchises of all kinds secured by bribery and fraud.

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[1] U. S. Senate Executive Documents, Second Session, Nineteenth Congress, Doc. No. 63.

[2] U. S. Senate Documents, First Session, Twenty-fourth Congress, 1835-36, Doc. No. 216:16.

It was probably the scandal arising from the bribery of the Georgia Legislature that caused popular ferment, and crystallized a demand for altered laws. In 1796 Congress declared its intention to abandon the prevailing system of selling millions of acres to companies or individuals. The new system, it announced, was to be one adapted to the interests of both capitalist and poor man. Land was thereafter to be sold in small quantities on credit. Could the mechanic or farmer demand a better law? Did it not hold out the opportunity to the poorest to get land for which payment could be gradually made?

But this law worked even better to the advantage of the capitalist class than the old. By bribing the land officials the capitalists were able to cause the choicest lands to be fraudulently withheld, and entered by dummies. In this way, vast tracts were acquired. Apparently the land entries were made by a large number of intending settlers, but these were merely the intermediaries by which capitalists secured great tracts in the form of many small allotments. Having obtained the best lands, the capitalists then often held them until they were in demand, and forced actual settlers to pay heavily for them. During all of this time the capitalists themselves held the land "on credit." Some of them eventually paid for the lands out of the profits made from the settlers, but a great number of the purchasers cheated the Government almost entirely out of what they owed.[4]

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[3] Senate Documents, Eighteenth Congress, Second Session, 1824-25, Vol. ii, Doc No. 14, and Senate Documents, Twenty-fourth Congress, 1836-37, Vol. ii, No. 212. After the grants were secured, the companies attempted to swindle the State of Georgia by making payments in depreciated currency. Georgia refused to accept it. When the grant was rescinded, both houses of the Georgia Legislature marched in solemn state to the Capitol front and burned the deed.

[4] On Sept. 30, 1822, "credit purchasers" owed the Government: In Ohio, $1,260,870.87; in Indiana, $1,212,815.28; in Illinois, $841,302.80; in Missouri, $734,108.87; in Alabama, $5,760,728.01 in Mississippi, $684,093.50; and in Michigan, $50,584.82—a total of nearly $10,550,000. (Executive Reports, First Session, Eighteenth Congress, 1824, Report No. 61.) Most of these creditors were capitalist land speculators.

The capitalists of the period contrived to use the land laws wholly to their own advantage and profit. In 1824, the Illinois Legislature memorialized Congress to change the existing laws. Under them, it recited, the best selections of land had been made by non-resident speculators, and it called upon Congress to pass a law providing for selling the remaining lands at fifty cents an acre.[5] Other legislatures petitioned similarly. Yet, notwithstanding the fact that United States officials and committees of Congress were continually unearthing great frauds, no real change for the benefit of the poor settler was made.

GREAT EXTENT OF THE LAND FRAUDS

The land frauds were great and incessant. In a long report, the United States Senate Committee on Public Lands, reporting on June 20, 1834, declared that the evidence it had taken established the fact that in Ohio and elsewhere, combinations of capitalist speculators, at the public sales of lands, had united for the purpose of driving other purchasers out of the market and in deterring poor men from bidding. The committee detailed how these companies and individuals had fraudulently bought large tracts of land at $1.25 an acre, and sold the land later at exorbitant prices. It showed how, in order to accomplish these frauds, they had bought up United States Land Office Registers and Receivers.[6]

Another exhaustive report was handed in by the United States Senate Committee on Lands, on March 3, 1835. Many of the speculators, it said, filled high offices in States where public lands bought by them were located; others were people of "wealth and intelligence." All of them "naturally united to render this investigation odious among the people." The committee told how an attempt had been made to assassinate one of its members. "The first step," it set forth, "necessary to the success of every scheme of speculation in the public lands, is to corrupt the land officers, by a secret understanding between the parties that they are to receive a certain portion of the profits."[7] The committee continued:

> The States of Alabama, Mississippi and Louisiana have been the principal theatre of speculations and frauds in buying up the public lands, and dividing the most enormous profits between the members of the different companies and speculators. The committee refers to the depositions of numerous respectable witnesses to attest the various ramifications of these speculations and frauds, and the means by which they have been carried into effect. . . .[8]

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[5] U. S. Senate Documents, Second Session, Eighteenth Congress, 1824-25, Vol. ii, Doc. No. 25.

[6] U. S. Senate Documents, First Session, Twenty-third Congress, 1833-34, Vol. vi, Doc. No. 461:1-91.

[7] U. S. Senate Documents, Second Session, Twenty-third Congress, Vol. iv, Doc. No. 151:2.

[8] Ibid., 3.

Describing the great frauds in Louisiana, Benjamin F. Linton, U. S. District Attorney for the Western District of Louisiana, wrote, on August 25, 1835, to President Jackson: "Governments, like corporations, are considered without souls, and according to the code of some people's morality, should be swindled and cheated on every occasion." Linton gave this picture of "a notorious speculator who has an immense extent of claims":

> He could be seen followed to and from the land office by crowds of free Negroes, Indians and Spaniards, and the very lowest dregs of society, in the counties of Opelousas and Rapides, with their affidavits already prepared by himself, and sworn to before some justice of the peace in some remote county. These claims, to an immense extent, are presented and allowed. And upon what evidence? Simply upon the evidence of the parties themselves who desire to make the entry![9]

The "credit" system was gradually abandoned by the Government, but the auction system was retained for decades. In 1847, the Government was still selling large tracts at $1.25 an acre, nominally to settlers, actually to capitalist speculators or investors. More than two million acres had been sold every year for a long period. The House Committee on Public Lands, reporting in 1847, disclosed how most of the lands were bought up by capitalists. It cited the case of the Milwaukee district where, although 6,441 land entries had been made, there were only forty actual settlers up to 1847. "This clearly shows," the committee stated, "that those who claimed the land as settlers, are either the tools of speculators, to sequester the best lands for them . . . or the claim is made on speculation to sell out."[10]

The policy of granting enormous tracts of land to corporations was revived for the benefit of canal and railroad companies. The first railroad company to get a land grant from Congress was the Illinois Central, in 1850. It received as a gift 2,595,053 acres of land in Illinois. Actual settlers had to pay the company from $5 to $15 an acre.

Large areas of land bought from the Indian tribes by the Government, almost at once became the property of canal or railroad corporations by the process of Government grants. A Congressional document in 1840 (Senate Document No. 616) made public the fact that from the establishment of the Federal Government to 1839, the Indian tribes had ceded to the Government a total of 442,866,370 acres. The Indian tribes were paid either by grants of land elsewhere, or in money and merchandise. For those 442,866,370 acres they received exchange land valued at $53,757,400, and money and merchandise amounting to $31,331,403.

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[9] U. S. Senate Documents, Second Session, Twenty-fourth Congress, 1836-37, Vol. ii, Doc. No. 168:5.

[10] Reports of Committees, First Session, Thirtieth Congress, 1847-48, Vol. iii, Report No. 732:6.

THE SWAYING OF GOVERNMENT

The trading, banking and landed class had learned well the old, all-important policy of having a Government fully susceptible to their interests, whether the governing officials were put in office by them, and were saturated with their interests, views and ideals, or whether corruption had to be resorted to in order to attain their objects. At all events, the propertied classes, in the main, secured what they wanted. And, as fast as their interests changed, so did the acts and dicta of Government change.

While the political economists were busy promulgating the doctrine that it was not the province of Government to embark in any enterprise other than that of purely governing—a doctrine precisely suiting the traders and borrowed from their demands—the commercial classes, early in the nineteenth century, suddenly discovered that there was an exception. They wanted canals built; and as they had not sufficient funds for the purpose, and did not see any immediate profit for themselves, they clamored for the building of them by the States. In fine, they found that it was to their interest to have the States put through canal projects on the ground that these would "stimulate trade." The canals were built, but the commercial classes in some instances made the blunder of allowing the ownership to rest in the people.

Never again was this mistake repeated. If it proved so easy to get legislatures and Congress to appropriate millions of the public funds for undertakings profitable to commerce, why would it not be equally simple to secure the appropriation plus the perpetual title? Why be satisfied with one portion, when the whole was within reach?

True, the popular vote was to be reckoned with; it was a time when the people scanned the tax levy with far greater scrutiny than now; and they were not disposed to put up the public funds only that private individuals might reap the exclusive benefit. But there was a way of tricking and circumventing the electorate. The trading and land-owning classes knew its effectiveness. It was they who had utilized it; who from the year 1795 on had bribed legislatures and Congress to give them bank and other charters. Bribery had proved a signal success. The performance was extended on a much wider scale, with far greater results, and with an adroitness revealing that the capitalist class had learned much by experience, not only in reaching out for powers that the previous generation would not have dared to grant, but in being able to make plastic to its own purposes the electorate that believed itself to be the mainspring of political power.

GRANTS TO CANAL CORPORATIONS

The first great canal, built in response to the demands of the commercial class, was the Erie Canal, completed in 1825. This waterway was constructed at public expense, and was owned by New York State. The commercial men could succeed in having it managed for their purposes and profit, and the politicians could often extract plunder from the successive contracts, but there was no opportunity or possibility for the exercise of the usual capitalist methods of fraudulent diversion of land, or of over-capitalization and exorbitant rates with which to pay dividends on fictitious stock.

Very significantly, from about the very time when the Erie Canal was finished, the era of the private canal company, financed by the Government, began. One after another, canal companies came forward to solicit public funds and land grants. These companies neither had any capital of their own, nor was capital necessary. The machinery of Government, both National and State, was used to supply them with capital.

The Chesapeake and Ohio Canal Company received, up to 1839, the sum of $2,500,000 in funds appropriated by the United States Government, and $7,197,000 from the State of Maryland.

In 1824 the United States Government began giving land grants for canal projects. The customary method was the granting by Congress of certain areas of land to various States, to be expressly given to designated canal companies. The States in donating them, sometimes sold them to the canal companies at the nominal rate of $1.25 an acre. The commuting of these payments was often obtained later by corrupt legislation.

From 1824 to 1834, the Wabash and Erie Canal Company obtained land grants from the Government amounting to 826,300 acres. The Miami and Dayton Canal Company secured from the Government, in 1828 and 1833, a total grant of 333,826 acres. The St. Mary's Falls Ship Canal Company received 750,000 acres in 1852; the Portage Lake and Lake Superior Ship Canal Company, 400,000 acres in 1865-66; and the Lac La Belle Ship Canal Company, 100,000 acres in 1866. Including a grant by Congress in 1828 of 500,000 acres of public land for general canal purposes, the land grants given by the National Government to aid canal companies, totalled 4,224,073.06 acres, mostly in Indiana, Ohio, Illinois, Wisconsin and Michigan.

Whatever political corruption accompanied the building of such State-owned canals as the Erie Canal, the primary and fundamental object was to construct. In the case of the private canal companies, the primary and fundamental object was to plunder. The capitalists controlling these companies were bent upon getting rich quickly; it was to their interest to delay the work as long as possible, for by this process they could periodically go to Legislatures with this argument: That the projects were more expensive and involved more difficulties than had been anticipated; that the original appropriations were exhausted, and that if the projects were to be completed, fresh appropriations were imperative. A large part of these successive appropriations, whether in money, or land which could be sold for money, were stolen in sundry indirect ways by the various sets of capitalist directors. The many documents of the Maryland Legislature, and the messages of the successive

Governors of Maryland, do not tell the full story of how the Chesapeake and Ohio Canal project was looted, but they give abundantly enough information.

THE GRANTS FRAUDULENTLY MANIPULATED

Many of the canal companies, so richly endowed by the Government with great land grants, made little attempt to build canals. What some of them did was to turn about and defraud the Government out of incalculably valuable mineral deposits which were never included in the original grants.

In his annual report for 1885, Commissioner Sparks, of the United States General Land Office told (House Executive Documents, 1885-86, Vol. 11) how, by 1885, the Portage Lake "canal" was only a worthless ditch and a complete fraud. What had the company done with its large land grant? Instead of accepting the grant as intended by Congress, it had, by means of fraudulent surveys, and doubtless by official corruption, caused at least one hundred thousand acres of its grant to be surveyed in the very richest copper lands of Wisconsin.

The grants originally made by Congress were meant to cover swamp lands—that is, lands not particularly valuable for agricultural uses, but which had a certain value for other purposes. Mineral lands were strictly excluded. Such was the law: the practice was very different. The facility with which capitalists caused the most valuable mineral, grazing, agricultural and timber lands to be fraudulently surveyed as "swamp" lands, is described at length a little later on in this work. Commissioner Sparks wrote that the one hundred thousand acres appropriated in violation of explicit law "were taken outside of legal limits, and that the lands selected both without and within such limits were interdicted lands on the copper range" (p. 189). Those stolen copper deposits were never recovered by the Government nor was any attempt made to forfeit them. They comprise some of the richest copper mines in America and are owned by compact Boston interests.

The St. Mary's Falls Canal Company likewise stole large areas of rich copper deposits. This fact was clearly revealed in various official reports, and particularly in the suit, a few years ago, of Chandler vs. Calumet and Hecla Mining Company (U. S. Reports, Vol. 149, pp. 79-95). This suit disclosed the fact that the mines of the Calumet and Hecla Mining Company were located on part of the identical alleged "swamp" lands, granted by Congress in 1852. The plaintiff, Chandler, claimed an interest in the mines. Concluding the court's decision, favoring the Calumet and Hecla Mining Company, this significant note (so illustrative of the capitalist connections of the judiciary), appears: "Mr. Justice Brown, being interested in the result, did not sit in this case and took no part in its decision."

Whatever superficial or partial writers may say of the benevolent origin of railroads, the fact is that railroad construction was ushered in by a widespread corruption of legislators that put to shame the previous debauchery in getting bank charters. In nearly every work on the subject the assertion is dwelt upon that railroad builders were regarded as public benefactors; that people and legislatures were only too glad to present them with public resources. There is just a slight substance of truth in this alleged historical writing, but nothing more. The people, it is true, were eager, for their own convenience, to have the railroads built, but unwilling to part with their hard-wrung taxes, their splendid public domain, and their rights only that a few men, part gamblers and part men of energy and foresight, should divert the entire donation to their own aggrandizement. For this attitude the railroad promoters had an alluring category of arguments ready.

CASH THE GREAT PERSUADER

Through the public press, and in speeches and pamphlets, the people were assured in the most seductive and extravagant language that railroads were imperative in developing the resources of the country; that they would be a mighty boon and an immeasurable stimulant to progress. These arguments had much weight, especially with a population stretched over such a vast territory as that of the United States. But alone they would not have accomplished the ends sought, had it not been for the quantities of cash poured into legislative pockets. The cash was the real eloquent persuader. In turn, the virtuous legislators, on being questioned by their constituents as to why they had voted such great subsidies, such immense land grants and such sweeping and unprecedented privileges to private corporations, could fall back upon the justification (and a legitimate one it seemed) that to get the railroads built, public encouragement and aid were necessary.

Many of the projectors of railroads were small tradesmen, landlords, millowners, merchants, bankers, associated politicians and lawyers. Not infrequently, however, did it happen that some charters and grants were obtained by politicians and lawyers who, at best, were impecunious sharpers. Their greatest asset was a devious knowledge of how to get something for nothing. With a grandiloquent front and a superb bluff they would organize a company to build a railroad from this to that point; an undertaking costing millions, while perhaps they could not pay their board bill. An arrangement with a printer to turn out stock issues on credit was easy; with the promise of batches of this stock, they would then get a sufficient number of legislators to vote a charter, money and land.

After that, the future was rosy. Bankers, either in the United States or abroad, could always be found to buy out the franchise or finance it. In fact, the bankers, who themselves were well schooled in the art of bribery and other forms of corruption,[11] were often outwitted by this class of adventurers, and were only too glad to treat with them as associates, on the recognized commercial principle that success was the test of men's mettle, and that the qualities productive of such success must be immediately availed of.

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[11] "Schooled in the art of bribery."—In previous chapters many facts have been brought out showing the extent of corrupt methods used by the bankers. The great

In other instances a number of tradesmen and land-owners would organize a company having, let us say, $250,000 among them. If they had proceeded to build a railroad with this sum, not many miles of rail would have been laid before they would have found themselves hopelessly bankrupt.

Their wisdom was that of their class; they knew a far better method. This was to use the powers of government, and make the public provide the necessary means. In the process of construction the $250,000 would have been only a mite. But it was quite enough to bribe a legislature. By expending this sum in purchasing a majority of an important committee, and a sufficient number of the whole body, they could get millions in public loans, vast areas of land given outright, and a succession of privileges worth, in the long run, hundreds upon hundreds of millions of dollars.

A WELTER OF CORRUPTION

So the onslaught of corruption began and continued. Corruption in Ohio was so notorious that it formed a bitter part of the discussion in the Ohio Constitutional Convention of 1850-51. The delegates were droning along over insertions devised to increase corporation power. Suddenly rose Delegate Charles Reemelin and exclaimed: "Corporations always have their lobby members in and around the halls of legislation to watch and secure their interests. Not so with the people—they cannot act with that directness and system that a corporation can. No individual will take it upon himself to go to the Capitol at his own expense, to watch the representatives of the people, and to lobby against the potent influences of the corporation. But corporations have the money, and it is to their interest to expend it to secure the passage of partial laws." [12]

Two years later, at one of the sessions of the Massachusetts Constitutional Convention, Delegate Walker, of North Brookfield, made a similar statement as to conditions in that State. "I ask any man to say," he asked, "if he believes that any measure of legislation coud be carried in

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scandal caused in Pennsylvania in 1840 by the revelations of the persistent bribery carried on by the United States Bank for many years, was only one of many such scandals throughout the United States. One of the most characteristic phases of the reports of the various legislative investigating committees was the ironical astonishment that they almost invariably expressed at the "superior class" being responsible for the continuous bribery. Thus, in reporting in 1840, that $130,000 had been used in bribery in Pennsylvania by the United States Bank, an investigating committee of the Pennsylvania House of Representatives commented: "It is hard to come to the conclusion that men of refined education, and high and honourable character, would wink at such things, yet the conclusion is unavoidable." (Pa. House Journal, 1842, Vol. ii, Appendix, 172-531.

[12] Ohio Convention Debates, 1850-51, ii:174.

this State, which was generally offensive to the corporations of the Commonwealth? It is very rarely the case that we do not have a majority in the legislature who are either presidents, directors or stockholders in incorporated companies. This is a fact of very grave importance."[13] Two-thirds of the property in Massachusetts, Delegate Walker pointed out, was owned by corporations.

In 1857 an acrimonious debate ensued in the Iowa Constitutional Convention over an attempt to give further extraordinary power to the railroads. Already the State of Iowa had incurred $12,000,000 in debts in aiding railroad corporations. "I fear," said Delegate Traer, "that it is very often the case that these votes (on appropriations for railroads) are carried through by improper influences, which the people, if left alone, would, upon mature reflection, never have adopted."[14]

IMPOTENCE OF THE PEOPLE

These are but a very few of the many instances of the debauching of every legislature in the United States. No matter how furiously the people protested at this giving away of their resources and rights, the capitalists were able to thwart their will on every occasion. In one case a State legislature had been so prodigal that the people of the State demanded a Constitutional provision forbidding the bonding of the State for railroad purposes. The Constitutional Convention adopted this provision. But the members had scarcely gone to their homes before the people discovered how they had been duped. The amendment barred the State from giving loans, but (and here was the trick) it did not forbid counties and municipalities from doing so. Thereupon the railroad capitalists proceeded to have laws passed, and bribe county and municipal officials all over the State to issue bonds and to give them terminal sites and other valuable privileges for nothing. In every such case the railroad owners in subsequent years sneaked legislation through in practically every State, or resorted to subterfuges, by which they were relieved from having to pay back those loans.

Hundreds of millions of dollars, exacted from the people in taxation, were turned over to the railroad corporations, and little of it was ever returned. As for the land grants to railroads, they reached colossal proportions. From 1850 to 1872 Congress gave not less than 155,504,994.59 acres of the public domain either direct to railroad corporations, or to the various States, to be transferred to those corporations.

Much of this immense area was given on the condition that unless the railroads were built, the grants were to be forfeited. But the capitalists found no difficulty in getting a thoroughly corrupt Congress to extend the period of construction in cases where the construction had not been done. Of the 155,000,000 acres, a considerable portion of it valuable mineral, coal, timber and agricultural land, only 607,741 acres were forfeited by act of Congress, and even much of these were restored to the railroads by judicial decisions.[15] That Congress, not less than the legislatures, was honeycombed with corruption is all too evident from the disclosures of many investigations—disclosures to which we shall have pertinent occasion to refer later on. Not only did the railroad corporations loot in a gigantic way under forms of law, but they so craftily drafted the laws of both Nation and the States that fraud at all times was easy.

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[13] Debates in the Massachusetts Convention, 1853, iii:59.

[14] Constitutional Debates, Iowa, 1857, ii:777.

DEFRAUDING THE NATION OF TAXES

Not merely were these huge areas of land obtained by fraud, but after they were secured, fraud was further used to evade taxation. And by donations of land is not meant only that for intended railroad use or which could be sold by the railroads. In some cases, notably that of the Union Pacific Railroad, authority was given to the railroad by acts passed in 1862 and 1864 to take all of the material, such as stone, timber, etc., needed for construction, from the public lands. So, in addition to the money and lands, much of the essential material for building the railroads was supplied from the public resources. No sooner had they obtained their grants, than the railroad corporations had law after law passed removing this restriction or that reservation until they became absolute masters of hundreds of millions of acres of land which a brief time before had been national property.

"These enormous tracts," wrote (in 1886) William A. Phillips, a member of the Committee on Public Lands of the Forty-third Congress, referring to the railroad grants, "are in their disposition subject to the will of the railroad companies. They can dispose of them in enormous tracts if they please, and there is not a single safeguard to secure this portion of the national domain to cultivating yeomanry." The whole machinery of legislation was not only used to exclude the farmer from getting the land, and to centralize its ownership in corporations, but was additionally employed in relieving these corporations from taxation on the land thus obtained by fraud. "To avoid taxation," Phillips goes on, "the railroad land grant companies had an amendment enacted into law to the effect that they should not obtain their patents until they had paid a small fee to defray the expense of surveying. This they took care not to pay, or only to pay as fast as they could sell tracts to some purchasers, on which occasions they paid the surveying fee and obtained deeds for the portion they sold. In this way they have held millions of acres for speculative purposes, waiting for a rise in prices, without taxation, while the farmers in adjacent lands paid taxes." [16]

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[15] The principal of these decisions was that of the Supreme Court of the United States in the case of Schluenberg vs. Harriman (Wallace's Supreme Court Reports, xxi:44). In many of the railroad grants it was provided that in case the railroad lines were not completed within certain specified times, the lands unsold or unpatented should revert to the United States. The decision of the Supreme Court of the United States practically made these provisions nugatory, and indirectly legalized the crassest frauds.

The original grants excluded mineral lands, but by a subsequent fraudulent official construction, coal and iron were declared not to be covered by the term mineral.

Commissioner Sparks of the U. S. General Land Office estimated in 1885 that, in addition to the tens of millions of acres the railroad corporations had secured by fraud under form of law, they had overdrawn ten million acres, "which vast amount has been treated by the corporations as their absolute property, but is really public land of the United States recoverable to the public domain." (House Executive Docs., First Session, Forty-ninth Congress, 1885-86, ii:184.) It has never been recovered.

Phillips passes this fact by with a casual mention, as though it were one of no great significance.

It is a fact well worthy of elaboration. Precisely as the aristocracies in the Old World had gotten their estates by force and fraud, and then had the laws so arranged as to exempt those estates from taxation, so has the money aristocracy of the United States proceeded on the same plan. As we shall see, however, the railroad and other interests have not only put through laws relieving from direct taxation the land acquired by fraud, but also other forms of property based upon fraud.

This survey, however, would be prejudicial and one-sided were not the fact strongly pointed out that the railroad capitalists were by no means the only land-graspers. Not a single part of the capitalist class was there which would in any way profit from the theft of public domain that did not wallow in corruption and fraud.

The very laws seemingly passed to secure to the poor settler a homestead at a reasonable price were, as Henry M. Teller, Secretary of the Interior, put it, perverted into "agencies by which the capitalists secures large and valuable areas of the public land at little expense." [17] The poor were always the decoys with which the capitalists of the day managed to bag their game. It was to aid and encourage "the man of small resources" to populate the West that the Desert Land Law was apparently enacted; and many a pathetic and enthusiastic speech was made in Congress as this act was ostentatiously going through. Under this law, it was claimed, a man could establish himself upon six hundred and forty acres of land and, upon irrigating a portion of it, and paying $1.25 an acre, could secure a title. For once, it seemed, Congress was looking out for the interests of the man of few dollars.

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[16] "Labor, Land and Law":338-339.

[17] Report of the Secretary of the Interior for 1883.

Reporting to Secretary of the Interior Lamar, in response to a U. S. Senate resolution for information, William A. J. Sparks, Commissioner of the General Land Office, gave statistics showing an enormous number of fraudulent land entries, and continued:

"It was the ease with which frauds could be perpetrated under existing laws, and the immunity offered by a hasty issue of patents, that encouraged the making of fictitious and fraudulent entries. The certainty of a thorough investigation would restrain such practices, but fraud and great fraud must inevitably exist so long as the opportunity for fraud is preserved in the laws, and so long as it is hoped by the procurers and promoters of fraud that examinations may be impeded or suppressed." If, Commissioner Sparks urged, the preëmption, commuted-homestead, timber-land, and desert-land laws were repealed, then, "the illegal appropriation of the remaining public lands would be reduced to a minimum."—U. S. Senate Documents, First Session, Forty-ninth Congress, 1885-1886, Vol. viii, Doc. No. 134:4.

VAST EXPROPRIATIONS OF LAND

But plaudits were too hasty. To the utter surprise of the people the law began to work in a perverse direction. Its provisions had read well enough on a casual scrutiny. Where lay the trouble? It lay in just a few words deftly thrown in, which the crowd did not notice. This law, acclaimed as one of great benefit to every man aspiring for a home and land, was arranged so that the capitalist cattle syndicates could get immense areas. The lever was the omission of any provision requiring *actual settlement*. The livestock corporations thereupon sent in their swarms of dummies to the "desert" lands (many of which, in reality, were not desert but excellent grazing lands), had their dummies get patents from the Government and then transfer the lands. In this way the cattlemen became possessed of enormous areas; and to-day these tracts thus gotten by fraud are securely held intact, forming what may be called great estates, for on many of them live the owners in expansive baronial style.

In numerous instances, law was entirely dispensed with. Vast tracts of land were boldly appropriated by sheep and cattle rangers who had not even a pretense of title. Enclosing these lands with fences, the rangers claimed them as their own, and hired armed guards to drive off intruders, and kill if necessary.[18] Murder after murder was committed. In this usurpation the august Supreme Court of the United States upheld them. And the grounds of the decision were what?

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[18] "Within the cattle region," reported Commissioner Sparks, "it is notorious that actual settlements are generally prevented and made practically impossible outside the proximity of towns, through the unlawful control of the country, maintained by cattle companies."—U. S. Senate Docs., 1885-86, Vol. viii, No. 134:4 and 5.

Acting Commissioner Harrison of the General Land Office, reporting on March 14, 1884, to Secretary of the Interior Teller, showed in detail the vast extent of the unlawful fencing of public lands. In the Arkansas Valley in Colorado at least 1,000,000 acres of public domain were illegally seized. The Prairie Cattle Company, composed of Scotch capitalists, had fenced in more than a million acres in Colorado, and a large number of other cattle companies in Colorado had seized areas ranging from 20,000 to 200,000 acres. "In Kansas," Harrison went on, "entire counties are reported as [illegally] fenced. In Wyoming, one hundred and twenty-five cattle companies are reported having fencing on the public lands. Among the companies and persons reported as having 'immense' or 'very large' areas inclosed . . . are the Dubuque, Cimarron and Renello Cattle [companies] in Colorado; the Marquis de Morales in Colorado; the Wyoming Cattle Company (Scotch) in Wyoming; and the Rankin Live Stock Company in Nebraska.

"There is a large number of cases where inclosures range from 1,000 to 25,000 acres and upwards.

"The reports of special agents show that the fraudulent entries of public land within the enclosures are extensively made by the procurement and in the interest of stockmen, largely for the purpose of controlling the sources of water supply."—"Unauthorized Fencing of Public Lands," U. S. Senate Docs., First Session, Forty-eighth Congress, 1883-84, Vol. vi, Doc. No. 127:2.

The very extraordinary dictum that a settler could not claim any right of preëmption on public lands in possession of another who had enclosed, settled upon and improved them. This was the very reverse of every known declaration of common and of statute law. No court, supreme or inferior, had ever held that because the proceeds of theft were improved or were refurbished a bit, the sufferer was thereby estopped from recovery. This decision showed anew how, while the courts were ever ready to enforce the law literally against the underlings and penniless, they were as active in fabricating tortuous constructions coinciding not always, but nearly always, with the demands and interests of the capitalist class.

It was long the fashion on the part of a certain prevalent school of writers and publicists to excoriate this or that man, this or that corporation, as the ringleader in the orgy of corruption and oppression. This practice, arising partly from passionate or ill-considered judgment, and in part from ignorance of the subject, has been the cause of much misunderstanding, popular and academic.

No one section of the capitalist class could be held solely responsible; nor were the morals and ethics of any one division different from those of the others. The whole capitalist class was coated with the same tar. Shipping merchants, traders in general, landholders, banking and railroad corporations, factory owners, cattle syndicates, public utility companies, mining magnates, lumber corporations—all were participants in various ways in the subverting of the functions of government to their own fraudulent ends at the expense of the whole producing class.

While the railroad corporations were looting the public treasury and the public domain, and vesting in themselves arbitrary powers of taxation and proscription, all of the other segments of the capitalist class were, at the same time, enriching themselves in the same way or similar ways. The railroads were much denounced; but wherein did their methods differ from those of the cattle syndicates, the industrial magnates or the lumber corporations? The lumber barons wanted their predacious share of the public domain; throughout certain parts of the West and in the South were far-stretching, magnificent forests covered with the growth of centuries. To want and to get them were the same thing, with a Government in power representative of capitalism.

SPOLIATION ON A GREAT SCALE

The "poor settler" catspaw was again made use of. At the behest of the lumber corporations, or of adventurers or politicians who saw a facile way of becoming multimillionaires by the simple passage of an act, the "Stone and Timber Act" was passed in 1878 by Congress. An amendment passed in 1892 made frauds still easier. This measure was another of those benevolent-looking laws which, on its face, extended opportunities for the homesteader. No longer, it was plausibly set forth, could any man say that the Government denied him the right to get public land for a reasonable sum. Was ever a finer, a more glorious chance presented? Here was the way open for any individual homesteader to get one hundred and sixty acres of timber land for the low price of $2.50 an acre. Congress was overwhelmed with outbursts of panegyrics for its wisdom and public spirit.

Soon, however, a cry of rage went up from the duped public. And the cause? The law, like the Desert Land Law, it turned out, was filled with cunningly-drawn clauses sanctioning the worst forms of spoliation. Entire trainloads of people, acting in collusion with the land grabbers, were transported by the lumber syndicates into the richest timber regions of the West, supplied with the funds to buy, and then each, after having paid $2.50 per acre for one hundred and sixty acres, immediately transferred his or her allotment to the lumber corporations. Thus, for $2.50 an acre, the lumber syndicates obtained vast tracts of the finest lands worth, at the least, according to Government agents, $100 an acre, at a time, thirty-five years ago, when lumber was not nearly so costly as now.

The next development was characteristic of the progress of onsweeping capitalism. Just as the traders, bankers, factory owners, mining and railroad magnates had come into their possessions largely (in varying degrees) by fraud, and then upon the strength of those possessions had caused themselves to be elected or appointed to powerful offices in the Government, State or National, so now some of the lumber barons used a part of the millions obtained by fraud to purchase their way into the United States Senate and other high offices. They, as did their associates in the other branches of the capitalist class, helped to make and unmake judges, governors, legislatures and Presidents; and at least one, Russell A. Alger, became a member of the President's Cabinet in 1897.

Under this one law,—the Stone and Timber Act—irrespective of other complaisant laws, not less than $57,000,000 had been stolen in the previous seven years alone from the Government, according to a statement made in Congress by Representative Hitchcock, of Nebraska, on May 5, 1908. He declared that 8,000,000 acres had been sold for $20,000,000 while the Department of the Interior had admitted in writing that the actual aggregate value of the land, at prevailing commercial prices, was $77,000,000. These lands, he asserted, had passed into the hands of the Lumber Trust, and their products were sold to the people of the United States at an advance of seventy per cent. This theft of $57,000,000 simply represented the years from 1901 to 1908; it is probable that the entire thefts for 10,395,689.96 acres sold during the whole series of years since the Stone and Timber Act was passed reaches a much vaster amount.

Stupendous as was the extent of the nation's resources already appropriated by 1876, more remained to be seized. The Government still owned 40,000,000 acres of land in the South, mainly in Alabama, Louisiana, Florida, Arkansas and Mississippi. Much of this area was valuable timber land, and a part of it, especially in Alabama, was filled with great coal and iron deposits,—a fact of which certain capitalists were well aware, although the general public did not know it.

During the Civil War nothing could be attempted in the war-ravaged South. That conflict over, a group of capitalists set about to get that land, or at least the valuable part of it. At about the time that they had their plans primed to juggle a bill through Congress, an unfortunate situation arose. A rancid public scandal ensued from the bribery of members of Congress in getting through the charters and subsidies of the Union Pacific railroad and other railroads. Congress, for the sake of appearance, had to be circumspect.

THE "CASH SALES" ACT

By 1876, however, the public agitation had died away. The time was propitious. Congress rushed through a bill carefully worded for the purpose. The lands were ordered sold in unlimited areas for cash. No pretense was made of restricting the sale to a certain acreage so that all any individual could buy was enough for his own use. Anyone, if he chose, could buy a million or ten million acres, provided he had the cash to pay $1.25 an acre. The way was easy for capitalists to get millions of acres of the coveted iron, coal and timber lands for practically nothing. At that very time the Government was selling coal lands in Colorado at $10 to $20 an acre, and it was recognized that even that price was absurdly low.

Hardly was this "cash sales" law passed, than the besieging capitalists pounced upon these Southern lands and scooped in eight millions of acres of coal, iron and timber lands intrinsically worth (speaking commercially) hundreds of millions of dollars. The fortunes of not a few railroad and industrial magnates were instantly and hugely increased by this fraudulent transaction.[19] Hundreds of millions of dollars in capitalist bonds and stock, representing in effect mortgages on which the people perpetually have to pay heavy interest, are to-day based upon the value of the lands then fraudulently seized.

Fraud was so continuous and widespread that we can here give only a few succinct and scattering instances. "The present system of laws," reported a special Congressional Committee appointed in 1883 to investigate what had become of the once vast public domain, "seem to invite fraud. You cannot turn to a single state paper or public document where the subject is mentioned before the year 1883, from the message of the President to the report of the Commissioner of the Land Office, but what statements of 'fraud' in connection with the disposition of public lands are found."[20] A little later, Commissioner Sparks of the General Land Office pointed out that "the near approach of the period when the United States will have no land to dispose of has stimulated the exertions of capitalists and corporations to acquire outlying regions of public land in mass, by whatever means, legal or illegal." In the same report he further stated, "At the outset of my administration I was confronted with overwhelming evidence that the public domain was made the prey of unscrupulous speculation and the worst forms of land monopoly."[21]

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[19] "Fraudulent transaction," House Ex. Doc. 47, Part iv, Forty-sixth Congress, Third Session, speaks of the phrasing of the act as a mere subterfuge for despoilment; that the act was passed specifically "for the benefit of capitalists," and "that fraud was used in sneaking it through Congress."

THE "EXCHANGE OF LAND" LAW

Not pausing to deal with a multitude of other laws the purport and effect of all of which were the same—to give the railroad and other corporations a succession of colossal gifts and other special privileges—laws, many of which will be referred to later—we shall pass on to one of the final masterly strokes of the railroad magnates in possessing themselves of many of such of the last remaining valuable public lands as were open to spoliation.

This happened in 1900. What were styled the land-grant railroads, that is to say, the railroad corporations which received subsidies in both money and land from the Government, were allotted land in alternate sections. The Union Pacific manipulated Congress to "loan" it about $27,000,000 and give it outright 13,000,000 acres of land. The Central Pacific got nearly $26,000,000 and received 9,000,000 acres. To the Northern Pacific 47,000,000 acres were given; to the Kansas Pacific, 12,100,000; to the Southern Pacific about 18,000,000 acres. From 1850 the National Government had granted subsidies to more than fifty railroads, and, in addition to the great territorial possessions given to the six railroads enumerated, had made a cash appropriation to those six of not less than about $140,000,000. But the corruptly obtained donations from the Government were far from being all of the bounty. Throughout the country, States, cities and counties contributed presents in the form of franchises, financial assistance, land and terminal sites.

The great grants, especially in the West, were so enormous that Parsons compared them as follows: Those in Minnesota would make two States the size of Massachusetts; in Kansas they were equal to two States the size of Connecticut and New Jersey; in Iowa the extent of the railroad grants was larger than Connecticut and Rhode Island, and the grants in Michigan and Wisconsin nearly as large; in Montana the grant to one railroad alone would equal the whole of Maryland, New Jersey and Massachusetts. The land grants in the State of Washington were about equivalent to the area of the same three States. Three States the size of New Hampshire could be carved out of the railroad grants in California.[22]

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[20] House Ex. Doc. 47:356.

[21] Report of the Commissioner of the General Land Office for October, 1885:48 and 79.

The alternate sections embraced in these States might be good or useless land; the value depended upon the locality. They might be the richest and finest of agricultural grazing, mineral or timber land or barren wastes and rocky mountain tops.

For a while the railroad corporations appeared satisfied with their appropriations and allotments. But as time passed, and the powers of government became more and more directed by them, this plan naturally occurred: Why not exchange the bad, for good, land? Having found it so easy to possess themselves of so vast and valuable an area of former public domain, they calculated that no difficulty would be encountered in putting through another process of plundering. All that was necessary was to go through the formality of ordering Congress to pass an act allowing them to exchange bad, for good, lands.

This, however, could not be done too openly. The people must be blinded by an appearance of conserving public interests. The opportunity came when the Forest Reservation Bill was introduced in Congress—a bill to establish national forest reservations. No better vehicle could have been found for the project traveling in disguise. This bill was everywhere looked upon as a wise and statesmanlike measure for the preservation of forests; capitalist interests, in the pursuit of immediate profit, had ruthlessly denuded and destroyed immense forest stretches, causing, in turn, floods and destruction of life, property and of agriculture. Part of the lands to be taken for the forest reservations included territory settled upon; it was argued as proper, therefore, that the evicted homesteaders should be indemnified by having the choice of lands elsewhere.

So far, the measure looked well. But when it went to the conference committee of the two houses of Congress, the railroad representatives artfully slipped in the four unobstrusive words, "or any other claimant." This quartet of words allowed the railway magnates to exchange millions of acres of desert and of denuded timber lands, arid hills and mountain tops covered with perpetual snow, for millions of the richest lands still remaining in the Government's much diminished hold.

So secretly was this transaction consummated that the public knew nothing about it; the subsidized newspapers printed not a word; it went through in absolute silence. The first protest raised was that of Senator Pettigrew, of South Dakota, in the United States Senate on May 31, 1900. In a vigorous speech he disclosed the vast thefts going on under this act. Congress, under the complete domination of the railroads, took no action to stop it. Only when the fraud was fully accomplished did the railroads allow Congress to go through the forms of deferring to public interests by repealing the law.[23] According to the 1934 Annual

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[22] "The Railways, the Trusts and the People": 137.

[23] In a letter to the author Senator Pettigrew instanced the case of the Northern Pacific Railroad. "The Northern Pacific," he wrote, "having patented the top of

Report of the Secretary of the Interior 136,425,474 acres of land which had been national public property—that is, title had been vested in the Federal Government—had passed into the ownership of railroad corporations. Direct to these corporations the Government had granted 98,219,087 acres, and had given to States for railroad grants 38,206,487 acres. In addition, various railroad corporations secured much other land which had been owned by States and municipalities.

COAL LANDS EXPROPRIATED

Not merely were the capitalist interests allowed to plunder the public domain from the people under these various acts, but another act was passed by Congress, the "Coal Land Act," purposely drawn to permit the railroads to appropriate great stretches of coal deposits. "Already," wrote President Theodore Roosevelt in a message to Congress urging the repeal of the Stone and Timber Act, the Desert Land Law, the Coal Land Act and similar enactments, "probably one-half of the total area of high-grade coals in the West has passed under private control. Including both lignite and the coal areas, these private holdings aggregate not less than 30,000,000 acres of coal fields." These urgings fell flat on a Congress that included many members who had got their millions by reason of these identical laws, and which, as a body, was fully under the control of the dominant class of the day—the Capitalist class. The oligarchy of wealth was triumphantly, gluttonously in power; it was ingenuous folly to expect it to yield where it could vanquish, and concede where it could despoil.[24]

A report of H. H. Schwartz, chief of the field service of the Department of the Interior, to Secretary Garfield, of that Department, showed that in the two years from 1906 to 1908 alone, approximately $110,000,000 worth of public land in States, principally west of the Mississippi River, had been fraudulently acquired by capitalist corporations and individuals. This report disclosed more than thirty-two thousand cases of land fraud. The frauds on the part of various corporations in ob-

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Mount Tacoma, with its perpetual snow and the rocky crags of the mountains elsewhere, which had been embraced within the forest reservation, could now swap these worthless lands, every acre, for the best valley and grazing lands owned by the Government, and thus the Northern Pacific acquired about two million acres more of mineral, forest and farming lands." (See subsequent chapter on the Hill fortune, dealing with the immense timber holdings of the Weyerhaeuser interests. P. 661.)

[24] Nor did it yield. Roosevelt's denunciations in no way affected the steady expropriating process. A controversy, in 1909, between Secretary of the Interior Ballinger and U. S. Chief Forester Gifford Pinchot brought a great scandal to a head. It was revealed that several powerful syndicates of capitalists had filed fraudulent claims to Alaskan coal lands, the value of which is estimated to be from $75,000,000 to $1,000,000,000.

At a session of the Irrigation Congress at Spokane, Washington, Gov. Pardee of California charged that the timber, the minerals and the soil had long since become the booty of corporations whose political control of public servants was notorious.

taining vast mineral deposits in Alaska, and incalculably rich water power sites in Montana and elsewhere, constituted one of the great current public scandals.

FRAUDULENT OIL LAND LEASES

The exposures of such operations caused a cessation of fraud for some years, but presently there came new developments, this time in the obtaining of lands with petroleum resources. The leasing of oil lands which had been reserved for naval purposes created a notable scandal. A United States Senate Committee thoroughly investigated the circumstances. Testimony showed that, in 1921, $100,000 had been handed to Albert B. Fall, Secretary of the Interior under President Harding, by a son of Edward L. Doheny, multimillionaire oil operator, to whom was granted a lease of naval oil lands in California. Doheny admitted having "lent" Fall the $100,000. To Harry F. Sinclair, another multimillionaire oil operator, Fall, in 1922, had granted a lease of similar areas in Wyoming. Within a month thereafter, it was disclosed, Fall had received from Sinclair a total of $269,000 in Liberty bonds and cash—an amount subsequently increased to total advances of $304,100.

Refusing to answer a question put by the Senate Committee, Sinclair was pronounced in contempt, in 1927, partly on that count and in part on another, he was sentenced to jail, and served a term of six and a half months. Fall and Edward L. Doheny were finally acquitted on the conspiracy charges, and, in 1930, there followed Doheny's acquittal on the charge of having bribed Fall. Doheny's defence was that the money handed to Fall was an innocent and sentimental loan. Meanwhile, however, Fall was tried on a charge of bribery, convicted in 1929, and sentenced to a year in prison and a fine of $100,000. Legal efforts to keep him out of prison were of no avail; he was immured there in 1931 and served more than nine months. Both oil properties were regained by the Government when the Supreme Court of the United States declared the leases void. The large amount of oil which had been taken was instanced in the Government's action against Doheny's company, the Pan American Petroleum Company, the capital stock of which was owned by the Richfield Oil Company. Both companies went into receivership. The Government obtained a judgment for $9,282,000; a compromise was later effected, the sum of $5,500,000 was paid to the Government which released the assets to the receiver, except as to Doheny personally whom it held jointly liable.[25]

During the same period there was a scramble on the part of concerns or individuals to secure permits for operating oil or oil-shale bearing lands on the public domain. Charges were made in 1930 by the Land Office chief of division that Government officials had been in collusion with shale-oil locators in Colorado in disposing of such lands worth many billions of dollars. But the U. S. Attorney-General could find no evidence to substantiate this charge, and, in refutation, the Secretary of the Interior could report that although the estimated shale-oil area in Colorado, Utah and Wyoming was 8,257,791 acres, only 195,000 acres in all had been patented to private individuals. But as regarded oil-bearing lands on the public lands the operations were revealed in "the orgy of speculation which had covered 15,000,000 acres with more than 17,000 permits, less than 4,000 of which ever complied with the leasing laws development requirement, and all of which were ready tinder for a blaze of speculative activity in case of another major discovery." So the Secretary of the Interior complained in 1931, adding that "our policy of house-cleaning the speculative paper which has encumbered the public domain has produced results; eventually it will be down to a working basis of bona-fide permits." [26]

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[25] Annual Report, Attorney General of the United States, 1935:97.

AN ARRAY OF COMMANDING FACTS

Theoretically the power of government resided in the people, down to the humblest voter. This power, however, was the instrument for enslaving the very people supposed to be the wielders of political action.

While Congress, the legislatures and the executive and administrative officials were industriously giving away public domain, public funds and perpetual rights to railroad and other corporations, they almost entirely ignored the interests of the general run of people.

The more capitalists they created, the harder it became for the poor to get settler's land on the public domain. Congress continued passing acts by which, in most cases, the land was turned over to corporations. Intending settlers had to buy it at exorbitant prices. This took place in nearly all of the States and Territories. Large numbers of people could not afford to pay the price demanded by the railroads, and consequently were compelled to herd in industrial centers. They were deliberately shut off from possession of the land. This situation was already acute more than fifty years ago. "The area of arable land open to settlement," pointed out Secretary of the Interior Teller in a circular letter of May 22, 1883, "is not great when compared with the increasing demand and is rapidly decreasing." All other official reports consistently related the same conditions.[27]

As a matter of sad reality, the Homestead Act, supposedly designed to provide farms for settlers, was drawn without any knowledge whatever of economic agriculture in America. In the eastern States the farmer, under good conditions, could get a living from 80 acres. But twice that area was far from enough for the purpose in the western half of the United States where soil and climatic conditions were different. Yet the Homestead Act long limited the size of a homestead to 160 acres. Decade after decade this blundering policy was pursued. Not until 1909 was the Homestead Act amended so as to allow the settler to obtain 320 acres of non-irrigable land in certain States. What was the effect? "The fact," stated an official report, in 1933, "that only slightly more than 2,500,000 acres out of a potential 19,300,000 acres of land classed as suitable under this act actually homesteaded proves that the act is not solving the western homesteader's difficulties." [28] And again this further fact was reported, in 1935, by R. G. Tugwell, Resettlement Administrator: "Approximately 15,000,000 acres of abandoned homesteads taken up out of the public domain, testify to the failures which have greeted attempts to farm lands that were suited only for grazing." [29] Now when Congress did attempt to legislate so as to give the homesteader an area thought large enough for grazing, what was the result? The Stockraising Homestead Act of 1916 provided that 640 acres of land for grazing should be the maximum homestead. These consequences were stated in an official report, in 1933: "A large proportion of the grazing homesteads, however, were also too small to maintain enough stock for a reasonable standard of living. Many homesteads were patented and later sold to stockmen who owned or were acquiring large ranches." [30]

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[26] Annual Report, Secretary of the Interior, 1931:27 et seq.

[27] "The tract books of my office show," reported Commissioner Sparks, "that available public lands are already largely covered by entries, selections and claims of various kinds." The actual settler was compelled to buy up these claims, if, indeed, he was permitted to settle on the land.—U. S. Senate Ex. Docs., 1885-86, Vol. viii, Doc. No. 134:4.

At the same time, while being excluded from soil which had been national property, the working and farming class were subjected to either neglect or onerous laws. As a class, the capitalists had no difficulty at any time in securing whatever laws they needed; if persuasion by argument was not effective, bribery was. Moreover, over and above corrupt purchase of votes was the feeling ingrained in legislators by the concerted teachings of society that the man of property should be looked up to; that he was superior to the common herd; that his interests were paramount and demanded nursing and protection. Whenever a commercial crisis occurred, the capitalists secured a ready hearing and their measures were passed promptly. But millions of workers would be in enforced idleness and destitution, and no move was made to throw open public lands to them, or appropriate money, or start public works. Such a proposed policy was considered "paternalism"—a catchword of the times implying that Governmental care should not be exercised for the unfortunate, the weak and the helpless.

And here was the anomaly of the so-called American democratic

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[28] "State Land Settlement Problems and Policies in the United States," U. S. Department of Agriculture, Technical Bulletin No. 357, May, 1933:27.

[29] "The Resettlement Administration," September, 1935:9.

[30] "State Land Resettlement Problems and Policies," etc.:27.

Government. It was held legitimate and necessary that capital should be encouraged, but illegitimate to look out for the interests of the non-propertied. The capitalists were very few; the non-propertied, holding nominally the overwhelming voting power, were many. Government was nothing more or less than a device for the nascent capitalist class to work out its inevitable purposes, yet the majority of the people, on whom the powers of class government severely fell, were constantly deluded into believing that the Government represented them. Whether Federalist or anti-Federalist, Whig, Republican or Democratic party was in power, the capitalist class went forward victoriously and invincibly.

Chapter II

A Necessary Contrast

If the whole might of Government was used in the aggrandizement and perpetuation of a propertied aristocrary, what was its specific attitude toward the working class? Of the powerful few, whether political or industrial, the conventional histories hand down grossly biased and distorted chronicles. These few are isolated from the multitude, and their importance magnified, while the millions of obscure are nowhere adequately described. Such sterile historians proceed upon the perfunctory plan, derived from ancient usage in the days when kingcraft was supremely exalted, that it is only the mighty few whose acts are of any consequence, and that the doings of the masses are of no account.

GOVERNMENT BY PROPERTY INTERESTS

Hence it is that most histories are mere registers of names and dates, dull or highly-colored hackneyed splurges of print giving no insight into actual conditions.

In this respect most of the prevailing histories of the United States are the most egregious offenders. They fix the idea that this or that alleged statesman, this or that President or politician or set of politicians, have been the dominating factors in the decision and sway of public affairs. No greater error could be formulated. Behind the ostentatious and imposing public personages of the different periods, the arbiters of laws and policies have been the men of property. They it was who really ruled both the arena and the arcana of politics.

It was they, sometimes openly, but more usually covertly, who influenced and manipulated the entire sphere of government.

It was they who raised the issues which divided the people into contesting camps and which often beclouded and bemuddled the popular mind. It was their material ideals and interests that were engrafted upon the fabric of society and made the prevailing standards of the day.

From the start the United States Government was what may be called a regime swayed by property.

The Revolution, as we have seen, was a movement by the native property interests to work out their own destiny without interference by the trading classes of Great Britain. The Constitution of the United States, the various State Constitutions, and the laws, were, we have set forth, all reflexes of the interests, aims, castes and prejudices of the property owners, as opposed to the non-propertied. At first, the landholders and the shipping merchants were the dictators of laws. Then from these two classes and from the tradesmen sprang a third class, the bankers, who, after a continuous orgy of bribery, rose to a high pitch of power. At the same time, other classes of property owners were sharers in varying degrees in directing Government. One of these was the slaveholders of the South, desperately increasing their clutch on government administration the more their institutions were threatened. The factory owners were likewise participants. However bitterly some of these propertied interests might war upon one another for supremacy, there was never a time when the majority of the men who sat in Congress, the legislatures or the judges did not represent, or respond to, either the interests or the ideals of one or more of these divisions of the propertied classes.

Finally, out of the landowners, slaveowners, bankers, shippers, factory masters and tradesmen a new class of great power developed. This was the railroad-owning class. From about the year 1845 to 1890 it was the most puissant governing class in the United States, and only ceased being distinctly so when the industrial trusts became even mightier, and a time came when one trust alone, the Standard Oil Company, was able to possess itself of vast railroad systems.

These different components of the railroad-owning class had gathered in their money by either outright fraud or by the customary exploitative processes of the times. We have noted how many of the landholders secured their estates at one time or another by bribery or by invidiously fraudulent transactions; and how the bankers, who originally were either tradesmen, factory owners or landowners, had obtained their charters and privileges by widespread bribery. A portion of the money thus acquired was often used in bribing Congress and legislatures for railroad charters, public funds, immense areas of land including forests and mines, and special laws of the most extraordinary character.

CONDITIONS OF THE NON-PROPERTIED

Since Government was actually, although not avowedly or apparently, a property regime, what was the condition of the millions of non-propertied?

In order to get a correct understanding of both the philosophy and the significance of what manner of property rule was in force, it is necessary to give an accompanying sketch of the life of the millions of producers, and what kind of laws related to them. Merely to narrate the acts of the capitalists of the period is of no enduring value unless it be accompanied by a necessary contrast of how Government and capitalist acted toward the worker. It was the worker who tilled the ground and harvested the produce nourishing nations; whose labor, mental or manual, brought forth the thousand and one commodities, utensils, implements, articles and luxuries necessary to the material wants of civilization. Verily, what of the great hosts of toilers who have done their work and shuffled off to oblivion? What were their aspirations, difficulties, movements and struggles? While Government, controlled by both the men and the standards of property, was being used as a distributing instrument for centering resources and laws in the hands of a mere minority, what were its methods in dealing with the lowly and propertyless?

Furthermore, this contrast is indispensable for another reason. Posterity ever has a blunt way of asking the most inquisitive questions. The inquirer for truth will not be content with the simple statement that many of the factory owners and tradesmen bribed representative bodies to give them railroad charters and bountiful largess. He will seek to know how, as specifically as the records allow, they got together that money. Their nominal methods are of no weight; it is the portrayal of their real, basic methods which alone will satisfy the delver for actual facts.

This is not the place for a voluminous account of the industrial development of the United States. We cannot halt here to give the full account of the origin and growth of that factory system which has culminated in the gigantic trusts of to-day. Nor can we pause to deal with the manifold circumstances and methods involved in that expansion. The full tale of the rise and climax of industrial establishments; how they subverted the functions of government to their own ends; stole inventions right and left and drove inventors to poverty and to the grave; defrauded the community of incredible amounts by evading taxation; oppressed their workers to a degree that in future times will read like the acts of a class outsavaging the savage; bribed without intermission; slaughtered legions of men, women and children in the pursuit of profit; exploited the peoples of the globe remorselessly—all of this and more, constituting a weird chapter of horrors in the progress of the race, are described in a later part of this work.

But in order to contribute a clear perspective of the methods and morals of a period when Government was but the mannikin of property and to give a deeper insight into the conditions against which millions had to contend at a time when the railroad oligarchy was blown into life by Government edict, a few important facts will be presented here.

The sonorous doctrines of the Declaration of Independence read well, but they were not meant to be applied to the worker. The independence so much vaunted was the independence of the capitalist to do as he pleased. Few, if any, restrictions were placed upon him; such pseudo restrictions as were passed from time to time were not enforced. On the other hand, the severest laws were enacted against the worker. For a long time it was a crime for him to go on a strike. In the first strike in this country of which there is any record—that of a number of sailors in New York City in 1803, for better wages—the leader was arrested, indicted and sent to prison. The formidable machinery of

Government was employed by the ruling commercial and landed classes for a double purpose. On the one hand, they insisted that it should encourage capital, which phrase translated into action meant that it should confer grants of land, immense loans of public funds without interest, virtual immunity from taxation, an extra-legal taxing power, sweeping privileges, protective laws and clearly defined statute rights.

THE SUPREMACY OF EMPLOYERS

At the same time, while enriching themselves in every direction by transferring, through the powers of Government, public resources to themselves, the capitalists declared it to be a settled principle that Government should not be paternalistic; they asserted that it was not only not a proper governmental function to look out for the interests of the masses of workers, but they went even further.

With the precedents of the English laws as an example, they held that it devolved upon Government to keep the workers sternly within the bounds established by employers. In plain words, this meant that the capitalist was to be allowed to run his business as he desired. He could overwork his employees, pay them the lowest wages, and kill them off by forcing them to work under conditions in which the sacrifice of human life was held subordinate to the gathering of profits, or by forcing them to work or live in disease-breeding places.[1] The law, which was the distinct expression of the interests of the capitalist, upheld his right to do all this. Yet if the workers protested; if they sought to improve their condition by joining in that community of action called a strike, the same code of laws adjudged them criminals. At once, the whole power of law, with its police, military and judges, descended upon them, and either drove them back to their tasks or consigned them to prison.

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[1] The slum population of the United States increased rapidly. "According to the best estimates," stated the "Seventh Special Report of the U. S. Commissioner of Labor—The Slums of Great Cities, 1894," "the total slum population of Baltimore is about 25,000; of Chicago, 162,000; of New York, 360,000; of Philadelphia, 35,000" (p. 12). The figures of the average weekly wages per individual of the slum population revealed why there was so large a slum population. In Baltimore these wages were \$8.65½ per week; in Chicago, \$9.88½; in New York, \$8.36, and in Philadelphia, \$8.68 per week (p. 64).

In his "Modern Social Conditions," Bailey, basing his statements upon the U. S. Census of 1900, asserted that 109,750 persons had died from tuberculosis in the United States in 1900. "Plenty of fresh air and sunlight," he wrote, "will kill the germs, and yet it is estimated that there are eight millions of people who will eventually die from consumption unless strenuous efforts are made to combat the disease. Working in a confined atmosphere, and living in damp, poorly ventilated rooms, the dwellers in the tenements of the great cities fall easy victims to the great white plague (p. 265).

These slum areas have remained down to the present writing, although in gradually diminishing extent. One reason for the decline was the stopping, by the laws of 1921, 1924 and 1927, of unrestricted immigration to America, for it had been the unlimited inflow of immigrants which to a large degree had supplied the slum population. Another reason, in New York City at least, was the widening of some narrow streets which had nourished slums, and the enlargement of transit facilities which gave speedy access to outlying sections. A third influencing reason was the action taken by the combined action of Federal, State and municipal governments. especially in 1933-1936, to provide low-cost decent apartments in sections not hard to reach from points of work.

The conditions under which the capitalists made their profits, and under which the workers had to toil, were very oppressive to the workers. The hours of work at that period were from sunrise to sunset. Usually this rule, especially in the seasons of long days, required twelve, and very often fourteen and sixteen, hours a day. Yet the so-called statesmen and the pretentious cultured and refined classes of the day, saw nothing wrong in this exploitation. The reason was obvious. Their power, their elegant mansions, their silks and satins, their equipage and superior opportunities for enjoyment all were based upon the sweat and blood of these so-called free white men, women and children of the North, who toiled even harder than the chattel black slave of the South, and who did not receive a fraction of the care and thought bestowed, as a corollary of property, upon the black slave. Already the capitalist of the North had a slavery system in force far more effective than the chattel system of the South—a system the economic superiority of which was destined to overthrow that of black slavery.

Most historians, taking their cue from the intellectual subserviency demanded of them by the ruling propertied classes, delight in picturing those times as "the good old times," when the capitalists were benevolent and amiable, and the workers lived in peace and plenty.

AN INCESSANT WARFARE

History in the main, thus far, has been an institution for the propagation of lies. The truth is that for thousands of years back, since the private property system came into existence, an incessant, uncompromising warfare has been going on between oppressors and oppressed. Apart from the class distinctions and the bitterness manifested in settlement and colonial times in this country—reference to which has been given in earlier chapters—the whole of the nineteenth century, and thus far of this century, has been a continuous industrial struggle. It has been the real warfare of modern times.

In this struggle the propertied classes had the great advantage from the start. Centuries of rulership had taught them that the control of Government was the crux of the mastery. By possession of Government they had the power of making laws; of the enforcement or non-enforcement of those laws; of the directorship of police, army, navy, courts, jails and prisons—all terrible instruments for suppressing any attempt at protest, peaceful or otherwise. Notwithstanding this massing of power and force, the working class has at no time been passive or acquiescent. It has allowed itself to be duped; it has permitted its ranks to be divided by false issues; it has often been blind at critical times, and has made no concerted effort as yet to get intelligent possession of the great strategic point,—governmental power. Nevertheless, despite these mistakes, it has been in a state of constant rebellion; and the fact that it has been so, that its aspirations could not be squelched by jails, prisons and cannon nor by destitution or starvation, furnishes the sublimest record in all the annals of mankind.

THE WORKERS' STRUGGLE FOR BETTER CONDITIONS

Again and again the workers attempted to throw off some of their shackles, and every time the whole dominant force of society was arrayed against them. By 1825 an agitation developed for a ten-hour workday. The politicians denounced the movement; the cultured classes frowned upon it; the newspapers alternately ridiculed and abused it; the officials prepared to take summary action to put it down. As for the capitalists—the shipping merchants, the boot and shoe manufacturers, the iron masters and others—they not only denied the right of the workers to organize, while insisting that they themselves were entitled to combine, but they inveighed against the ten-hour demand as "unreasonable conditions which the folly and caprice of a few journeymen mechanics may dictate." "A very large sum of money," says McNeill, "was subscribed by the merchants to defeat the ten-hour movement."[2] And as an evidence of the intense opposition to the workers' demands for a change from a fourteen to a ten-hour day, McNeill quotes from a Boston newspaper of 1832:

> Had this unlawful combination had for its object the enhancement of daily wages, it would have been left to its own care; but it now strikes the very nerve of industry and good morals by dictating the hours of labor, abrogating the good old rule of our fathers and pointing out the most direct course to poverty; for to be idle several of the most useful hours of the morning and evening will surely lead to intemperance and ruin.

These, generally speaking, were the stock capitalist arguments of the day, together with the further reiterated assertion that it was impossible to conduct business on a ten-hour day system. The effect of the fourteen-hour day upon the workers was pernicious. Having no time for reading, self-education, social intercourse or acquainting themselves with refinement, they often developed brutal propensities. In proportion to the length of time and the rigor with which they were exploited, they degenerated morally and intellectually. This was a well-known fact, and was frequently commented upon by contemporaneous observers. Their employers could not fail to know it, yet, with few exceptions, they insisted that any movement to shorten the day's labor was destructive of good morals.

This pronouncement, however, need not arouse comment. Ever has the propertied class set itself up as the lofty guardian of morals although actuated by sordid self-interest and nothing more. Many workers were driven to drink, crime and suicide by the exasperating and deteriorating conditions under which they had to labor. The moment that they overstepped the slightest bounds of law, in rushed the authorities with summary punishment. The prisons of the period were full of mechanics whom serfdom or poverty had stung on to commit some crime or other. However trifling the offence, or whatever the justifiable provocation, the law made no allowance; the letter of the statutes was strictly construed, and always administered with a heavy hand.

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[2] "The Labor Movement": 339.

THE CAPITALISTS' TACTICS

The whole of uppermost society was aligned against the hard-driven working class. The employers deplored the audacity of the workers in forming unions and attempting to get shorter hours of labor. The capitalist changed his tactics like an acrobat. If the workers struck for a less burdensome workday he would assure them that he could not recognize such an untenable position; he might sympathize with their efforts for higher wages, but he must combat any effort for shorter hours.

But when the workers struck specifically for more wages, then the capitalist summoned the judiciary to help him out, as happened in New York City, in 1836, when twenty-one journeymen tailors were fined by Judge Edwards sums ranging from $100 to $150. As many of them could not pay it, they were despatched to jail. The clergy virulently assailed the trade-union movement. "We regret to say," read a statement of a general meeting of the mechanics of Boston and vicinity, issued on January 8, 1834, "that no one of our respected clergy are present. Application having been made to twenty-two different societies for the use of a meeting house on this day for trades unions, the doors of all were shut against us." . . .

Year after year the struggle continued for a ten-hour day throughout the North and East. Time after time the workers were driven back to their jobs by utter impoverishment. Repeatedly defeated, they renewed the attempt as often. Wherever they applied for aid or sympathy they met with hostility. In 1836 a Baltimore trades-union memorialized Congress to limit the hours of labor of those employed on the public works to ten hours a day. The pathos of this petition! So unceasingly had the workers been lied to by politicians, newspapers, clergy and employers, that they did not realize that in applying to Congress or to any legislature, that they were begging from men who represented the antagonistic interests of their own employers. After a short debate Congress laid the petition on the table. Congress at this very time was spinning out laws in behalf of capitalist interests; granting public lands, public funds, protective tariffs and manifold other measures demanded or lobbied for by existing or projected corporations.

A memorial of a "Portion of the Laboring Classes of the City of New

York in Relation to The Money Market" complained to Congress in 1833 that the powers of the Government were used against the working class.

"You are not ignorant," they petitioned,

> That our State Legislatures have, by a usurpation of power which is expressly withheld by our Federal Constitution, chartered many companies to engage in the manufacture of paper money; and that the necessities of the laboring classes have compelled them to give it currency.
>
> The strongest argument against this measure is, that by licensing any man or set of men to manufacture money, instead of earning it, we virtually license them to take so much of the property of the community as they may happen to fancy, without contributing to it at all—an injustice so enormous that it is incapable of any defense and therefore needs no comment.
>
> . . . That the profits of capital are abstracted from the earnings of labor, and that these deductions, like any other tax on industry, tend to diminish the value of money by increasing the price of all the fruits of labor, are facts beyond dispute; it is equally undeniable that there is a point which capitalists cannot exceed without injuring themselves, for when by their exertions they so far depreciate the value of money at home that it is sent abroad, many are thrown out of employ, and are not only disabled from paying their tribute, *but are forced to betake to dishonest courses or starve.*

This memorial was full of iron and stern truths, although much of its political economy was that of its own era; a very different petition, it will be noticed, from the appealing, cringing petitions sent timidly to Congress by the conservative, truckling labor leaders of later times. The memorial continued;

> The remaining laborers are then loaded with additional burdens to provide laws and prisons and standing armies to keep order; expensive wars are created merely to lull for a time the clamors for employment; each new burden aggravates the disease, and national death finally ends it.

The power of capital, was, the memorial read on, "in the nature of things, regulated by the proportion that the numbers of, and competition among, capitalists bears to the number and destitution of laborers." The only sure way of benefiting labor, "and the way best calculated to benefit all classes," was to diminish the destitution among the working classes. And the remedy proposed in the memorial? A settled principle of national policy should be laid down by Congress that the whole of the remaining of the public lands should forever continue to be the public property of the nation "and accordingly, cause them to be laid out from time to time, as the wants of the population might require, in small farms with a suitable proportion of building lots for mechanics, for the free use of any native citizen and his descendants who might be at the expense of clearing them." This policy "would establish a perpetual counterpoise to the absorbing power of capital." The memorial concluded:

These lands have been bought with public money every cent of which is in the end derived from the earnings of the laboring classes.

And while the public money has been liberally employed to protect and foster trade, Government has never, to our knowledge, adopted but one measure (the protective tariff system) with a distinct view to promote the interests of labor; and all of the advantages of this *one* have been absorbed by the preponderating power of capital.[3]

EMPLOYMENT OF MILITIA AGAINST THE WORKERS

But it was not only the National Government which used the entire governing power against the workers. State and municipal authorities did likewise. In 1836 the longshoremen in New York City struck for an increase of wages. Their employers hurriedly substituted non-union men in their places. When the union men went from dock to dock, trying to induce the newcomers to side with them, the shipping merchants pretended that a riot was under way and made frantic calls upon the authorities for a subduing force. The mayor ordered out the militia with loaded guns. In Philadelphia similar scenes took place. Naturally, as the strikers were prevented by the soldiers from persuading their fellow workers, they lost the strikes.

Although labor-saving machinery was constantly being devised and improved to displace hand labor, and although the skilled worker was consequently producing far more goods than in former years, the masters—as the capitalists were then often termed—insisted that employees must work for the same wages and hours as had long prevailed.

By 1840, however, the labor unions had arrived at a point where they were very powerful in some of the crafts, and employers grudgingly had to recognize that the time had passed by when the laborer was to be treated like a serf. A few enlightened employers voluntarily conceded the ten-hour day, not on any humane grounds, but because they reasoned that it would promote greater efficiency on the part of their workers. Many capitalists, perforce, had to yield to the demand. Other capitalists determined to break up the unions on the ground that they were a conspiracy. At the instigation of several boot and shoe manufacturers, the officials of Boston brought a suit against the Boston Journeymen Bootmakers' Society. The court ruled against the bootmakers and the jury brought in a verdict of guilty. On appeal to the Supreme Court, Robert Rantoul, the attorney for the society, so ably demolished the prosecution's points, that the court could not avoid setting aside the judgment of the inferior court.[4]

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[3] Executive Documents, First Session, Twenty-third Congress, 1834, Doc. No. 104.

[4] Commonwealth vs. Hunt and others; Metcalf's Supreme Court Reports, iv:111. The prosecution had fallen back on the old English law of the time of Queen Elizabeth, making it a criminal offence for workingmen to refuse to work under certain wages. This law, Rantoul argued, had not been specifically adopted as common law in the United States after the Revolution.

Perhaps the growing power of the labor unions had its effect upon those noble minds, the judiciary. The worker was no longer detached from his fellow workmen: he could no longer be scornfully shoved aside as a weak, helpless individual. He now had the strength of association and organization. The possibility of such strength transferred to politics affrighted the ruling classes. Where before this, the politicians had contemptuously treated the worker's petitions, certain that he could always be led blindly to vote the usual partisan tickets, it now dawned upon them that it would be wiser to make an appearance of deference and to give some concessions which, although of a slight character, could be made to appear important. The Workingmen's party of 1829 had shown a glimmer of what the worker could do when aroused to class-conscious action.

CAJOLING THE LABOR VOTE

Now it was that the politicians began the familiar policy of "catering to the labor vote." Some rainbow promises of what they would do, together with a few scraps of legislation now and then—this constituted the bait held out by the politicians. That adroit master of political chicanery, President Van Buren, hastened to issue an executive order on April 10, 1840, directing the establishment of a ten-hour day, between April and September, in the navy yards. From the last day of October, however, until March 31, the "working hours will be from the rising to the setting of the sun"—a length of time equivalent, meal time deducted, to about ten hours.

The political trick of throwing out crumbs to the workers long proved successful. But it was supplemented by other methods. To draw the labor leaders away from a hostile stand to the established political parties, and to prevent the massing of workers in a party of their own, the politicians began an insidious system of bribing these leaders to turn traitors. This was done by either appointing them to some minor political office or by giving them money. In many instances, the labor unions in the ensuing decades were grossly betrayed.

Finally, the politicians always had large sums of election funds contributed by merchants, bankers, landowners, railroad owners—by all parts of the capitalist class. These funds were employed in corrupting the electorate and legislative bodies. Caucuses and primaries were packed, votes bought, ballot boxes stuffed and election returns falsified. It did not matter to the corporations generally which of the old political parties was in power; some manufacturers or merchants might be swayed to one side or the other for the self-interest involved in the reënactment of the protective tariff or the establishment of free trade; but, as a rule, the corporations, as a matter of business, contributed money to both parties.

THE BASIS OF POLITICAL PARTIES

However these parties might differ on various issues, they both stood for the perpetuation of the existing social and industrial system based upon capitalist ownership. The tendency of the Republican party, founded in 1856, toward the abolition of Negro chattel slavery was in precise harmony with the aims and fundamental interests of the manufacturing capitalists of the North. The only peril that the capitalist class feared was the creation of a distinct, disciplined and determined workingmen's party. This they knew would, if successful, seriously endanger and tend to sweep away the injustices and oppressions upon which they, the capitalists, subsisted. To avert this, every ruse and expedient was resorted to: derision, undermining, corruption, violence, imprisonment—all of these and other methods were employed by that sordid ruling class claiming for itself so pretentious and all-embracing a degree of refinement, morality and patriotism.

Surveying historical events in a large way, however, it is by no means to be regretted that capitalism had its own unbridled way, and that its growth was not checked. Its development to the unbearable maximum had to come in order to prepare the ripe way for a newer stage in civilization. The capitalist was an outgrowth of conditions as they existed both before, and during, his time. He fitted as appropriate a part in his time as the predatory baron in feudal days.

But in this sketch we are not dealing with historical clauses or sequences as much as with events and contrasts. The aim is to give a sufficient historical perspective of times when Government was manipulated by the capitalist class for its own aggrandizement, and to despoil and degrade the millions of producers.

The imminence of working-class action was an ever present and disturbing menace to the capitalists. To give one of many instances of how the workers were beginning to realize the necessity of this action, and how the capitalists met it, let us instance the resolutions of the New England Workingmen's Association, adopted in 1845. With the manifold illustrations in mind of how the powers of Government had been used and were being increasingly used to expropriate the land, the resources and the labor and produce of the many, and bond that generation and future generations under a multitude of law-created rights and privileges, this association declared in its preamble:

> Whereas, we, the mechanics and workingmen of New England are convinced by the sad experience of years that under the present arrangement of society labor is and must be the slave of wealth; and, whereas, the producers of all wealth are deprived not merely of its enjoyment, but also of the social and civil rights which belong to humanity and the race; and, whereas, we are convinced that reform of those abuses must depend upon ourselves only; and, whereas, we believe that in intelligence alone is strength, we hereby declare our object to be union for power, power to bless humanity, and to further this object resolve ourselves into an association.

The year 1884 about marked the zenith of the era of the capitalist seizing of the public domain. By that time the railroad and other corporations had possessed themselves of a large part of the area now vested in their ownership. At that very time an army of workers, estimated at 2,000,000, was out of employment. Yet it was not considered a panic year; certainly the industrial establishments of the country were not in the throes of a commercial cataclysm such as happened in 1873 and previous periods. The cities were overcrowded with the destitute and homeless; along every country road and railroad track could be seen men, singly or in pairs, tramping from place to place looking for work.

Many of those unemployed were native Americans. A large number were aliens who had been induced to migrate by the alluring statements of the steamship companies to whose profit it was to carry large batches; by the solicitations of the agents of American corporations seeking among the oppressed peoples of the Old World a generous supply of cheap, unorganized labor; or by the spontaneous prospect of bettering their condition politically or economically.

WEALTH AND THE SWAY OF DIRECT POWER

It was about this time that the Senate of the United States was undergoing a transformation clearly showing how impatient the great capitalists were of operating Government through middlemen legislators. Previously, the manufacturing, railroad and banking interests had, on the whole, deemed it wise not to exercise this power directly but indirectly. The representatives sent to Congress were largely lawyers elected by their influence and money. The people at large did not know the secret processes back of these legislators. The press, advocating, as a whole, the interests of the capitalist class, constantly portrayed the legislators as great and patriotic statesmen.

But the magnates saw that the time had arrived when some empty democratic forms of Government could be waved aside, and the power exercised openly and directly by them. Presently we find such men as Leland Stanford, of the Pacific railroad quartet, and one of the arch-bribers and thieves of the time, entering the United States Senate after debauching the California legislature; George Hearst, a mining magnate, and others of that class.

More and more this assumption of direct power increased, until it was reckoned that there were at least eighty millionaires in Congress. Many of them were multimillionaires controlling, or representing corporations having a controlling share in vast industries, transportation and banking systems. The popular jest as to the United States Senate being a "millionaires' club" became antiquated; much more appropriately it could have been termed a "multimillionaires' club."

So notorious was this condition and so obnoxious to public sentiment that attention was increasingly directed to a remedy. There ensued a widespread agitation reflected in many newspaper and magazine articles demanding that a stop be put to the practice of magnates manipulating or buying their way into the highest legislative body in the country. Legislatures began electing men of a different caliber. Influenced by public opinion, Congress, in 1912, proposed to the Legislatures of the various States an Amendment to the Constitution providing that United States Senators be elected by direct popular vote. This Amendment—the Seventeenth—was immediately adopted by 37 of the 48 States, and went into effect on May 31, 1913. The consequence was a notable change in the general composition of the United States Senate. As the terms of millionaire members expired, their places were filled by men responsive to public opinion and interest. In fact, of the two branches of Congress, the United States Senate became the more militant and restive against corporate methods and greed. Some of the most searching investigations, some of the severest denunciations, and some of the most radical measures have come from that body.

Corruption was still used in a number of Senatorial primary elections, but the men thus elected were not admitted into the United States Senate. In the case of William S. Vare, of Philadelphia, a Senate Investigating Committee, in 1926, found "numerous and various instances of fraud;" large specified sums of money had been spent. A second case of exclusion was that of Frank L. Smith, presenting his credentials as an elected Senator from Illinois. His contributions and expenditures in the primary election were estimated at a provisional total of $458,782. By the overwhelming vote of 61 to 23, in 1928, the United States Senate, acting upon the committee report that his methods were tainted "with fraud and corruption" refused to admit him. And there were other cases.

This explanation is necessary here so as not to leave any misleading impression that the character of the United States Senate has recently been what it formerly was. But the times with which we are preoccupied in dealing were those in which many of the great fortunes were being amassed. The conditions prevailing in those times are the factors vital to this narrative.

Since the interests of the capitalists from the start were acutely antagonistic to those of the workers and of the people in general from whom their profits came, no cause for astonishment could be found in the refusal of Government to look out, even in trifling ways, for the workers' welfare. But it is of the greatest and most instructive interest to give a succession of contrasts. And here some complex factors intervene. Those cold, unimpassioned academicians who can perpetuate fallacies and lies in the most polished and dispassionate language, will object to the statement that the whole of governing institutions served the interests of plutocracy. And yet the facts, as we have seen (and will still further see), bear out this assertion.

For one of particular verification let us consult the Peoples' Party platform, adopted at St. Louis, July 24, 1896. This party was not in any sense impregnated with European doctrinairism; it was a thoroughly indigenous American party. So much so that it considered money domination as that of European financiers extended over America. "We realize," its platform declared, "that, while we have political independence, our financial and industrial independence is yet to be attained by restoring to our country the Constitutional control and exercise of the functions necessary to a people's government, which functions have been basely surrendered by our public servants to corporate monopolies. The influence of European money-changers has been more potent in shaping legislation than the voice of the American people. Executive power and patronage have been used to corrupt our legislatures and defeat the will of the people, and plutocracy has thereby been enthroned upon the ruins of democracy. To restore the Government intended by the fathers, and for the welfare of this and future generations, we demand the establishment of an economic and financial system which shall make us masters of our own affairs . . ."

The sight of a Government insensible to the sufferings of the multitudes impoverished by the panic of 1893 and by the following years of intense industrial depression moved the Peoples' Party to demand this step which was thought fantastic by conservatives: "In times of great industrial depression idle labor should be employed on public works as far as practicable." The Populists articulated popular grievances and aspirations which obviously could not come from the regular and institutional political parties which were largely financed by the big capitalists, many contributing to both parties. Before a special committee of the United States Senate, in 1894, the president of the Sugar Trust testified that this "politics of business" was the custom of "every individual and corporation and firm, Trust, or whatever you like to call it." He further testified that, in State campaigns, the dominant party always received the contribution.[5] This method continued. To instance two Presidential campaigns regarding the expenditures in which investigations were made, we shall take those of 1920 and 1928. Expenditures by national and State organizations of the Republican and Democratic parties together in 1920 totaled a computed $10,338,509, which did not include auxiliary sums supplied by local organizations.[6] In the Presidential campaign of 1928 the total net receipts of the Republican and Democratic parties together were $17,282,000, and the expenditures $16,586,000. The itemized lists of contributors showed that contributions to both parties were often made by capitalists and other rich men.[7]

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[5] U. S. Senate Report, No. 485, Fifty-third Congress, Second Session, June 21, 1894.

[6] "Presidential Campaign Expenditures," U. S. Senate Report No. 823, Sixty-sixth Congress, Third Session (February 24, 1921) 3, 12.

[7] U. S. Senate Report No. 1480, Seventieth Congress, Second Session, 1929: 2, 14, 27, 31, etc. Also Report No. 2024, 1929: 5-6.

THE PLIGHT OF THE MIDDLE CLASS

It is necessary to remember that those decades constituted a period of startling transitions.

The middle class, comprising the small business and factory men, stubbornly insisted on adhering to worn-out methods of doing business. Its only conception of industry was that of the methods of the year 1825. It refused to see that the centralization of industry was inevitable. It lamented the decay of its own power, and tried by every means at its command to thwart the purposes of the trusts. This middle class had exploited the worker. For decades it had shaped public opinion to support the dictum that "competition was the life of trade." It had, by this shaping of opinion, enrolled on its side a large number of workers who saw only the temporary evils, and not the ultimate good, involved in the scientific organization and centralization of industry. The middle class put through anti-trust laws and other measure after measure aimed at the great combinations.

These great combinations had, therefore, a double fight on their hands. On the one hand they had to resist the trades unions, and on the other, the middle class. It was necessary to their interests that centralization of industry should continue. In fact, it was historically and economically necessary. Consequently they had to bend every effort to make nugatory any effort of Government, both National and State, to enforce the anti-trust laws. The thing had to be done no matter how. It was intolerable that industrial development could be stopped by a middle class which, for self-interest, would have kept matters at a standstill. Self-interest likewise demanded that the nascent combinations and trusts get and exercise governmental power by any means they could use.

For a while triumphant in passing certain laws which, it was fatuously expected, would wipe the trusts out of existence, the middle class was hopelessly beaten and routed. By their far greater command of resources and money, the great magnates were able to frustrate the execution of those laws, and gradually to install themselves or their tools in practically supreme power. And they long continued so. But, although we are dealing with the historical past, it is again necessary, to avoid leaving off abruptly at this point, to interject a more recent phase and thus give a completer picture of the career of the Trusts.

The original consolidations represented by these were succeeded by still greater consolidations which, in various lines, took the form of huge mergers or holding companies. The time came when the efficacy of these vast groups was questioned by organizations in no sense hostile to the reign of capitalism. "Industrial consolidation itself," reported the National Industrial Conference Board, in 1929, "has been influenced by anticipations of profits for promoters and investors through prospective economies in production and distribution. . . . The tendency toward industrial combinations has raised many questions regarding their economic effects." The study showed that although some mergers made high profits and waxed in size and importance, many had failed. Declaring that society's immediate chief concern was with prices and with the steady functioning of the industrial process, the study pronounced the effects of mergers beneficial, on the whole, as regarded these aspects of business operations.[8] This study was hardly off the press when, totally unforeseen by any capitalist industrial leader, came the cataclysmic depression which dislocated much of the business industrial machinery of the entire country.

It was during this depression, when the Democratic Party came into full national power, that efforts were made to break down huge aggregations of capital. The principle now propounded was that as concentrated aggrandizements of money and power they were inimical to public welfare, and that economically they were unwieldy and oppressive. In various directions legislative efforts on the part of Congress were made with the view of forcing a return to smaller-scale operation and control. One example was the Wheeler-Rayburn act of 1935 which placed gas and electric holding companies under the jurisdiction of the Federal Power Commission, provided for the disintegration of holding company groups, and their re-assembly as "integrated systems." But this measure had encountered serious opposition in the House of Representatives, and was finally enacted only under pressure from party chieftains. Perhaps such moves may have no more eventual significance than did the furious campaigns of three, four and five decades ago against the Trusts; these were harassed, and in some cases their dissolution was decreed, but they persisted in forms effective to their interest.

THE TRUSTS AND THE UNEMPLOYED

Certainly, the rise and sway of trusts and mergers, with their newer organization and their centralization of industry, were accompanied by recurring periods of great unemployment. This had been a feature of industrial depressions before the era of consolidations, but it became a more acute problem under conditions of modern times when the worker was wholly dependent upon the factory for work and livelihood. Moreover, increasing mechanization—the introduction of ever newer and more efficient labor saving machinery—constantly tended to displace labor unless the demand for particular goods produced was so great and the costs so low as to create an expanding market. Even in normal times there was a considerable army of unemployed, and the victims were largely men of upper middle age. These were the men who were not wanted because they could not stand the speeding pressure of mechanized processes. They were discarded as useless and left to their fate. Meanwhile, population grew greater, and in great industrial depressions the number of unemployed tremendously increased. In the panic of 1893 it reached about 3,000,000; in that of 1908 perhaps to 6,000,000, certainly 5,000,000. The Government remained indifferent. The reasons were two-fold: Government was administered by the capitalist class whose interest it was not to allow any measure to be passed which might strengthen the workers, or decrease the volume of surplus labor; the second was that Government was basically the apotheosis of the current commercial idea that the claims of property were superior to those of human life.

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[8] "Mergers In Industry, A Study of Certain Economic Aspects of Industrial Consolidation": 170-172.

But, to take a leap into the present, we have to note how greatly since that time concepts of Governmental functions have changed. The Populist demand of 1896, then derided as visionary, became a reality in the industrial depression in 1933-36. The Government then found that it did owe a duty to the unemployed; it found that it had or could exercise the power to employ the idle on public works, and local governments found, too, that the paramount need was relief to the needy—not as a matter of charity but as a pressing social obligation. Relief support in this crisis was given to 20,000,000 persons in the United States. Perhaps the most important of all of the acts passed by Congress in providing for public welfare was the Social Security Act of 1935 with its old-age assistance, insurance and other features designed to provide some security for those sections of the people which hitherto had been left total victims of the social disorder. How this act will work out remains to be seen, but the fact that it as well as other measures aimed to afford a degree of protection to classes hitherto neglected shows the advances made in legislative conscience or policy.

And now again to go back to former conditions it can be said without exaggeration that high functionary after high functionary in the legislative or executive branches of the Government, and magnate after magnate had committed not only one violation, but constant violations, of the criminal law. They were unmolested; having the power to prevent it they assuredly would not suffer themselves to undergo even the farce of prosecution. Such few prosecutions as were started with suspicious bluster by the Government against the Standard Oil Company, the Sugar Trust, the Tobacco Trust and other trusts proved to be absolutely harmless, and had no result except to strengthen the position of the trusts. The great magnates reaped their wealth by an innumerable succession of frauds and thefts. But the moment that wealth or the basis of that wealth were threatened in the remotest by any law or movement, the whole body of Government, executive, legislative and judicial, promptly stepped in to protect it intact.

The workers, however, from whom the wealth was robbed, were regarded in law as criminals the moment they became impoverished. If homeless and without visible means of support, they were subject to arrest as vagabonds. Numbers of them were constantly sent to prison or, in some States, to the chain-gang. If they ventured to hold mass meetings to urge the Government to start a series of public works to relieve the unemployed, their meetings were broken up and the assembled brutally clubbed, as happened in Tompkins square in New York City in the panic of 1873, in Washington in 1892, and in Chicago and in Union square, New York City, in the panic of 1908. The newspapers represented these meetings as those of irresponsible agitators, inciting the "mob" to violence. The clubbing of the unemployed and the judicial penalizing of their spokesman, was long a favorite repression method of the authorities.

SUPPRESSION OF STREET MEETINGS

"One of the greatest sources of social unrest and bitterness," stated the Final Report of the U. S. Commission on Industrial Relations, in 1916, "has been the attitude of the police toward public speaking. On numerous occasions in every part of the country the police of cities and towns have, either arbitrarily or under cloak of a traffic ordinance, interfered with or prohibited public speaking, both in the open and in halls, by persons connected with organizations of which the police or those from whom they receive their orders did not approve. In many instances such interference has been carried out with a degree of brutality which would be incredible if it were not vouched for by reliable witnesses. Bloody riots frequently have accompanied such interference, and large numbers of persons have been arrested for acts of which they were innocent or which were committed under the extreme provocation of brutal treatment of police or private citizens." The report incorporated the testimony of Police Commissioner Woods of New York City. He informed the Commission that when he took that office in 1913 he found in force a policy of rigid suppression of radical street meetings, with the result that riots were frequent and bitter hatred of the police was widespread. He told how he inaugurated a policy of permitting public meetings at all places where traffic and the public convenience would not be interfered with, and he instructed the police to protect speakers from molestation.

CRUSHING STRIKES BY FORCE

It would be superfluous to give the long list of strikes in which ruffians called strike breakers were brought in to take the place of strikers, and then upon the pretext that strikers were using violence, the police and sheriffs would be ordered to overawe the strikers and the militia directed to do the same.

The conditions prevailing for a long time were graphically set forth in 1916 in that Final Report of the U. S. Commission on Industrial Relations. "It may be said," declared the report, "that every governmental institution and function has been at some time utilized by the stronger industrial factor [the industrial corporations] for the oppression and suppression of the weaker [the workers] but those which are most commonly utilized are, first, the police, including not only the municipal police, the sheriffs and the deputies, the State police and constabulary and the militia, but the private guards, detectives and vigilante organizations, which usurp and exercise the functions of the police." The report stated that "the biased action of the State and municipal police seldom extends beyond the making of unwarranted arrests, the enforcement of unreasonable rules regarding such matters as picketing and public assemblage, and the use of excessive brutality."

It was other kinds of force, the report pointed out, which were more openly and ruthlessly used to crush strikes. "The sheriffs in many counties deputize guards in the employment and pay of corporations, without any qualifications and sometimes without even knowing their names. Similarly the militia are at times recruited from the guards and other employes of corporations. The private guards, detectives and vigilantes can have no other purpose in connection with a strike than to break it with such means as they can command." The report told of corporation-controlled courts which issued blanket injunctions decreeing illegal acts which otherwise would be legal, and resting upon the protection of those courts, "the police, the deputies and militia, and the private guards have in many cases felt free to go to unbelievable lengths in order to carry out their plans." Then the report proceeded: "The subserviency of the courts in many parts of the country cannot be more clearly shown than by the fact that they have time and again permitted the militia, under color of so-called martial law, to usurp their functions and defy their associations who resisted the encroachment. The situation is accentuated also by the fact that the decisions of such corrupt and subservient courts become the basis upon which later honest 'record worshipping' judges form their own opinions."

The report then dealt with another element superadded to the police, sheriffs and militia. This was the constabulary—a special State police force organized on a military basis. The Commission had made an extensive investigation of the Pennsylvania State Constabulary, and thus reported its findings: "It is an extremely efficient force for crushing strikes, but it is not successful in preventing violence in connection with strikes, in maintaining the legal and civil rights of the parties to the dispute, nor in protecting the public. On the contrary, violence seems to increase rather than diminish when the constabulary is brought into an industrial dispute." The report narrated how members of the constabulary had brutally treated, and in one case, shot down innocent citizens, and had escaped punishment for their acts. The constabulary "appeared to assume, in taking the field in connection with a strike that the strikers are its enemies and the enemies of the State, and that a campaign should be waged against them as such." [9]

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[9] Final Report, U. S. Commission on Industrial Relations, 1916: 96-99. The methods above described became still more cruel in strikes in subsequent years when tear gas bombs were added to the other war implements in efforts to subdue workers. Finally, to check the unrestricted employment of strike-breakers, the United States Senate, in 1935, and the House of Representatives in 1936, passed an identical measure called the Strike Breaker Bill which became law. By the provisions of this,

This running sketch, which is to be supplemented by the most specific details, gives a sufficient insight into the debasement and despoiling of the working class while the capitalists were using the Government as an expropriating machine. Meanwhile, how was the great farming class faring? What were the consequences to this large body of the seizure by a few of the greater part of the public domain?

THE STATE OF THE FARMING POPULATION

The conditions of the farming population, along with that of the working class, steadily grew worse. In the hope of improving their condition large numbers migrated from the Eastern States, and a constant influx of agriculturists poured in from Europe.

A comparatively few of the whole were able to get land direct from the Government. Naturally the course of this extensive migration followed the path of transportation, that is to say, of the railroads. This was exactly what the railroad corporations had anticipated. As a rule the migrating farmers found the railroads or cattlemen already in possession of many of the best lands. To give a specific idea of how vast and widespread were the railroad holdings in the various States, this tabulation covering the years up to 1883 will suffice: In the States of Florida, Louisiana, Alabama and Mississippi about 9,000,000 acres in all; in Wisconsin, 3,553,865 acres; Missouri, 2,605,251 acres; Arkansas, 2,613,631 acres; Illinois, 2,595,053 acres; Iowa, 4,181,929 acres; Michigan, 3,355,943 acres; Minnesota, 9,830,450 acres; Nebraska, 6,409,376 acres; Colorado, 3,000,000 acres; the State of Washington, 11,700,000 acres; New Mexico, 11,500,000 acres; in the Dakotas, 8,000,000 acres; Oregon, 5,800,000 acres; Montana, 17,000,000 acres; California, 16,387,000; Idaho, 1,500,000, and Utah, 1,850,000.[10]

Prospective farmers had to pay the railroads exorbitant prices for land. Very often they had not sufficient funds; a mortgage or two would be signed; and if the farmer had a bad season or two, and could no

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the transporting in interstate commerce of persons to be used to obstruct or interfere with the right of peaceful picketing during labor controversies was made a felony. The report of the House Committee on the subject, submitted by Representative Miller, declared that "racketeers" who furnished strike-breakers supplied types of men whose chief aim was to cause strife and bloodshed. "There are in the United States," the report stated, "individuals and organizations whose regular business is furnishing for large fees strong-arm men and thugs in almost any numbers. . . . These mercenaries are transported from State to State by their employers, who supply captains and lieutenants, feed and finance their men and furnish them weapons of clubs, brass knuckles and firearms. Their entry on the scene of any labor dispute usually means bloodshed, and frequently results in death or injury to innocent people." Only a few days before the bill was passed by the House fourteen men were wounded in a riot (on June 18, 1936) precipitated by strike breakers who, without the least provocation, used buckshot and tear gas bombs against strike pickets at a plant at Kent, Ohio. Strikers and sympathizers hurriedly obtained rifles and pistols and retaliated.

[10] "The Public Domain," House Ex. Doc. No. 47, Third Session, Forty-sixth Congress: 273.

longer pay the interest, foreclosure would result. But whether crops were good or bad, the American farmer constantly had to compete in the grain markets of the world with the cheap labor of India and Russia. And inexorably, East or West, North or South, he was caught between a double fire.

On the one hand, in order to compete with the immense capitalist farms gradually developing, he had to give up primitive implements and buy the most improved agricultural machines. For these he was charged five and six times the sum it cost the manufacturers to make and market them. Usually if he could not pay for them outright, the manufacturers took out a mortgage on his farm. Large numbers of these mortgages were foreclosed.

In addition, the time had passed when the farmer made his own clothes and many other articles. For everything that he bought he had to pay excessive prices. He, even more than the industrial working classes, had to pay an enormous manufacturer's profit, and additionally the high freight railroad rate.

On the other hand, the great capitalist agencies directly dealing with the crops—the packing houses, the gambling cotton and produce exchanges—actually owned, by a series of manipulations, a large proportion of his crops before they were out of the ground. These crops were sold to the working class at exorbitant prices. The small farmer labored incessantly, only to find himself getting poorer. It served political purpose well to describe glowingly the farmer's prosperity; but the greater crops he raised, the greater the profit to the railroad companies and to various other divisions of the capitalist class. His was the labor and worry; they gathered in the financial harvest.

METHODS OF THE GREAT LANDOWNERS

While thus the produce of the farmer's labor was virtually confiscated by the different capitalist combinations, the farmers of many States, particularly of the rich agricultural States of the West, were unable to stand up against the encroachments, power, and the fraudulent methods of the great capitalist landowners.

The land frauds in the State of California will serve as an example. Acting under the authority of various measures passed by Congress—measures which have been described—land grabbers succeeded in obtaining possession of an immense area in that State. Perjury, fraudulent surveys and entries, collusion with Government officials—these were a few of the many methods.

Jose Limantour, by an alleged grant from a Mexican Governor, and collusion with officials, almost succeeded in stealing more than half a million acres. Henry Miller, who came to the United States as an immigrant in 1850, was owner of 14,539,000 acres of the richest land in California and Oregon. It embraced more than 22,500 square miles, a territory three times as large as New Jersey. The stupendous land frauds in all of the Western and Pacific States by which capitalists obtained "an empire of land, timber and mines" are amply described in numerous documents of the period. These land thieves, as was developed in official investigations, had their tools and associates in the Land Commissioner's office, in the Government executive departments, and in both houses of Congress. The land grabbers did their part in driving the small farmer from the soil. Bailey Millard, who extensively investigated the land frauds in California, after giving full details, wrote:

> When you have learned these things it is not difficult to understand how one hundred men in the great Sacramento Valley have come to own over 17,000,000 acres, while in the San Joaquin Valley it is no uncommon thing for one man's name to stand for 100,000 acres. This grabbing of large tracts has discouraged immigration to California more than any other single factor. A family living on a small holding in a vast plain, with hardly a house in sight, will in time become a very lonely family indeed, and will in a few years be glad to sell out to the land king whose domain is adjacent. Thousands of small farms have in this way been acquired by the large holders at nominal prices.[11]

SEIZURE OF IMMENSE AREAS BY FRAUD

Official reports of the period, contemporaneous with the original seizure of these immense tracts of land, give far more specific details of the methods by which that land was obtained. Of the numerous reports of committees of the California Legislature, we will here simply quote one—that of the Swamp Land Investigating Committee of the California Assembly of 1873. Dealing with the fraudulent methods by which huge areas of the finest lands in California were obtained for practically nothing as "swamp" land, this committee reported, citing from what it termed a "mighty mass of evidence," "That through the connivance of parties, surveyors were appointed who segregated lands as 'swamp,' which were not so in fact. The corruption existing in the land department of the General Government has aided this system of fraud."

Also, the committee commented with deep irony, "the loose laws of the State, governing all classes of State lands, has enabled wealthy parties to obtain much of it under circumstances which, in some countries, where laws are more rigid and terms less refined, would be termed fraudulent, but we can only designate it as keen foresight and wise (for the landgrabbers) construction of loose, unwholesome laws." [12]

After recording its findings that it was satisfied from the evidence that "the grossest frauds have been committed in swamp matters in this State," the committee went on:

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[11] "The West Coast Land Grabbers." Everybody's Magazine, May, 1905.

[12] Report of the Swamp Land Investigating Committee, Appendix to California Journals of Senate and Assembly, Twentieth Session, 1874, Vol. iv. Doc. No. 5:3.

> Formerly it was the custom to permit filings upon real or alleged swamp lands, and to allow the application to lie unacted upon for an indefinite number of years, at the option of the applicants. In these cases, parties on the "inside" of the Land Office "ring" had but to wait until some one should come along who wanted to take up these lands in good faith, and they would *"sell out"* to them their "rights" to land on which they had never paid a cent, nor intended to pay a cent.
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> Or, if the nature of the land was doubtful, they would postpone all investigation until the height of the floods during the rainy season, when surveyors, in interest with themselves, would be sent out to make favorable reports as to the "swampy" character of the land. In the mountain valleys and on the other side of the Sierras, the lands are overflowed from melting snow exactly when the water is most wanted; but the simple presence of the water is all that is necessary to show to the speculators that the land is "swamp," and it therefore presents an inviting opportunity for this grasping cupidity.[13]

In his exhaustive report for 1885, Commissioner Sparks, of the General Land Office, described at great length the vast frauds that had continuously been going on in the granting of alleged "swamp" lands, and in fraudulent surveys, in many States and Territories.[14] "I thus found this office," he wrote, "a mere instrumentality in the hands of 'surveying rings.' "[15] Sixteen townships examined in Colorado in 1885 were found to have been surveyed on paper only, no actual surveying having been done.[16] In twenty-two other townships examined in Colorado, purporting to have been surveyed under a "special-deposit" contract awarded in 1881, the surveys were found wholly fraudulent in seven, while the other fifteen were full of fraud."[17]

These are a very few of the numerous instances cited by Commissioner Sparks. Although the law restricted surveys to agricultural lands and for homestead entries, yet the Land Office had long corruptly allowed what it was pleased to term certain "liberal regulations." Surveys were so construed as to include any portion of townships the "larger portion" of which was not "known" to be of a mineral character. These "regulations," which were nothing more or less than an extra-legal license to land grabbers, also granted surveys for desert lands and timber lands under the timber-land act. By the terms of this act, it will be recalled, those who entered and took title to desert and timber lands were not required to be actual settlers. Thus, it was only necessary for the surveyors in the hire of the great land grabbers to report fine grazing, agricultural, timber or mineral land as "desert land," and vast areas could be seized by single individuals or corporations with facility.

Two specific laws directly contributed to the effectiveness of this spoliation. One act, passed by Congress on May 30, 1862, authorized surveys to be made at the expense of settlers in the townships that those settlers desired surveyed. Another act, called the Deposit Act, passed in 1871, provided that the amounts deposited by settlers should be partly applied in payment for the lands thus surveyed. Together, these two laws made the grasping of land on an extensive scale a simple process. The "settler" (which so often meant, in reality, the capitalist) could secure the collusion of the Land Office, and have fraudulent surveys made. Under these surveys he could lay claim to immense tracts of the most valuable land and have them reported as "swamp" or "desert" lands; he could have the boundaries of original claims vastly enlarged; and the fact that part of his disbursements for surveying was considered as a payment for those lands, stood in law as virtually a confirmation of his claim.

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[13] Report of the Swamp Land Investigating Committee, etc., 5.

[14] House Documents, First Session, Forty-ninth Congress, 1885-86, Vol. ii.

[15] Ibid., 166.

[16] Ibid., 165.

[17] House Documents, etc., 1885-86, ii:165.

ACTUAL SETTLERS EXCLUDED FROM PUBLIC DOMAIN

"Wealthy speculators and powerful syndicates," reported Commissioner Sparks,

> covet the public domain, and a survey is the first step in the accomplishment of this desire. The bulk of deposit surveys have been made in timber districts and grazing regions, and the surveyed lands have immediately been entered under the timber land, preëmption, commuted homestead, timber-culture and desert-land acts. So thoroughly organized has been the entire system of procuring the survey and making illegal entry of lands, that agents and attorneys engaged in this business have been advised of every official proceeding, and enabled to present entry applications for the lands at the very moment of the filing of the plots of survey in the local land offices.
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> Prospectors employed by lumber firms and corporations seek out and report the most valuable timber tracts in California, Oregon, Washington Territory or elsewhere; settler's applications are manufactured as a basis for survey; contracts are entered into and pushed through the General Land Office in hot haste; a skeleton survey is made . . . entry papers, made perfect in form by competent attorneys, are filed in bulk, and the manipulators enter into possession of the land. . . . This has been the course of proceeding heretofore.[18]

Commissioner Sparks described a case of where it was discovered by his special agents in California that an English firm had obtained 100,000 acres of the choicest red-wood lands in that State. These lands were then estimated to be worth $100 an acre. The cost of procuring surveys and fraudulent entries did not probably exceed $3 an acre.[19]

"In the same manner," Commissioner Sparks continued, "extensive coal deposits in our Western territory are acquired in mass through expedited surveys, followed by fraudulent pre-emption and commuted homestead entries."[20] He went on to tell that nearly the whole of the Territory (now State) of Wyoming, and large portions of Montana, had been surveyed under the deposit system, and the lands on the streams fraudulently taken up under the desert land act, to the exclusion of actual settlers. Nearly all of Colorado, the very best cattle-raising portions of New Mexico, the rich timber lands of California, the splendid forest lands of Washington Territory and the principal part of the extensive pine lands of Minnesota had been fraudulently seized in the same way.[21] In all of the Western States and Territories these fraudulent surveys had accomplished the seizure of the best and most valuable lands. "To enable the pressing tide of Western immigration to secure homes upon the public domain," Commissioner Sparks urged, "it is necessary . . . that hundreds of millions of acres of public lands now appropriated should be wrested from illegal control." [22] But nothing was done to recover these stolen lands. At the very time Commissioner Sparks—one of the very few incorruptible Commissioners of Public Lands,—was writing this, the land-grabbing interests were making the greatest exertions to get him removed. During his tenure of office they caused him to be malevolently harassed and assailed. After he left office they resumed complete domination of the Land Commissioner's Bureau.[23]

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[18] House Documents, etc., 1885-86, ii:167.

[19] House Ex. Docs., etc., 1885-86, ii:167.

[20] Ibid.

THE GIGANTIC PRIVATE LAND CLAIM FRAUDS

The frauds in the settlement of private land claims on alleged grants by Spain and Mexico were colossal. Vast estates in California, New Mexico, Arizona, Colorado and other States were obtained by collusion with the Government administrative officials and Congress. These were secured upon the strength of either forged documents purporting to be grants from the Spanish or Mexican authorities, or by means of fraudulent surveys.

The New Mexico claim of Beaubin and Miranda transferred to L. B. Maxwell, was allowed by the Government in 1869, but for ninety-six thousand acres only. The owner refused to comply with the law, and in 1874 the Department of the Interior ordered the grant to be treated as public lands and thrown open to settlement. Despite this order, the Government officials in New Mexico, acting in collusion with other interested parties, illegally continued to assess it as private property. In 1877 a fraudulent tax sale was held, and the grant, fraudulently enlarged to 1,714,764.94 acres, was purchased by M. M. Mills, a member of the New Mexico Legislature. He transferred the title to T. B. Catron, the United States Attorney for New Mexico. Presently Stephen B. Elkins turned up as the principal owner. The details of how this claim was repeatedly shown up to be fraudulent by Land Commissioners and Congressional Committees; how the settlers in New Mexico fought it and sought to have it declared void, and the law enforced; [24] and how Elkins, for some years himself a Delegate in Congress from New Mexico, succeeded in having the grant finally validated on technical grounds, and "judicially cleared" of all taint of fraud, by an astounding decision of the Supreme Court of the United States—a decision contrary to the facts as specifically shown by successive Government officials—all of these details are set forth fully in another part of this work.[25]

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[21] Ibid., 168.

[22] Ibid.

[23] The methods of capitalists in causing the removal of officials who obstructed or exposed their crimes and violent seizure of property were continuous and long enduring. It was a very old practice. When Astor was debauching and swindling Indian tribes, he succeeded, it seems, by exerting his power at Washington, in causing Government agents standing in his way to be dismissed from office. The following is an extract from a communication, in 1821, of the U. S. Indian agent at Green Bay, Wisconsin, to the U. S. Superintendent of Indian Trade:

"The Indians are frequently kept in a state of intoxication, giving their furs, etc., at a great sacrifice for whiskey. . . . The agents of Mr. Astor hold out the idea that they will, ere long be able to break down the factories [Government agencies]; and they menace the Indian agents and others who may interfere with them, with dismission from office through Mr. Astor. They say that a representation from Messrs. Crooks and Stewart (Mr. Astor's agents) led to the dismission of the Indian agent at Mackinac, and they also say that the Indian agent here is to be dismissed. . . ."—U. S. Senate Documents, First Session, Seventeenth Congress, 1821-22, Vol. i, Doc. No. 60:52-53.

The forgeries and fraudulent surveys by which these huge estates were secured were astoundingly bold and frequent. Large numbers of private land claims, rejected by various Land Commissioners as fraudulent, were corruptly confirmed by Congress. In 1870, the heirs of one Gervacio Nolan applied for confirmation of two grants alleged to have been made to an ancestor under the colonization laws of New Mexico. They claimed more than 1,500,000 acres, but Congress conditionally confirmed their claim to the extent of forty-eight thousand acres only, asserting that the Mexican laws had limited to this area the area of public lands that could be granted to one individual. In 1880 the Land Office reopened the claim, and a new survey was made by surveyors in collusion with the claimants, and hired by them. When the report of this survey reached Washington, the Land Office officials were interested to note that the estate had grown from forty-eight thousand acres to five hundred and seventy-five thousand acres, or twelve times the legal quantity.[26] The actual settlers were then evicted. The romancer might say that the officials were amazed; they were not; such fraudulent enlargements were common.

The New Mexico estate of Francis Martinez, granted under the Mexican laws restricting a single grant to forty-eight thousand acres, was by a fraudulent survey, extended to 594,515.55 acres, and patented in 1881.[27] A New Mexico grant said to have been made to Salvador Gonzales, in 1742, comprising "a spot of land to enable him to plant a cornfield for the support of his family," was fraudulently surveyed and enlarged to 103,959.31 acres—a survey amended later by reducing the area to 23,661 acres.[28] The B. M. Montaya grant in New Mexico, limited to forty-eight thousand acres, under the Mexican colonization laws, was fraudulently surveyed for 151,056.97 acres. The Estancia grant in New Mexico, also restricted under the colonization act to forty-eight thousand acres, was enlarged by a fraudulent survey to 415,036.56 acres.[29] In 1768, Ignacio Chaves and others in New Mexico petitioned for a tract of about two and one-fourth superficial leagues, or approximately a little less than ten thousand acres. A fraudulent survey magnified this claim to 243,036.43 acres.[30]

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[24] "Land Titles in New Mexico and Colorado," House Reports, First Session, Fifty-second Congress, 1891-92, Vol. iv, Report No. 1253. Also, House Reports, First Session, Fifty-second Congress, 1891-92, Vol. vii, Report No. 1824. Also, House Reports, First Session, Forty-ninth Congress, 1885-86, ii:170.

[25] See "The Elkins Fortune."

[26] House Reports, First Session, Forty-ninth Congress, 1885-86, ii:171.

[27] Ibid., 172.

These are a very few of the large number of forged or otherwise fraudulent claims.

Some were rejected by Congress; many, despite Land Office protests, were confirmed. By these fraudulent and corrupt operations, enormous estates were obtained in New Mexico, Colorado and in other sections. The Pablo Montaya grant comprised in all, 655,468.07 acres; the Mora grant 827,621.01 acres; the Tierra Amarilla grant 594,515 acres, and the Sangre de Cristo grant 998,780.46 acres. All of these were corruptly obtained.[31] Scores of other claims were confirmed for lesser areas. During Commissioner Sparks' tenure of office, claims to 8,500,000 acres in New Mexico alone were pending before Congress. A comprehensive account of the operations of the land-grabbers, giving the explicit facts, as told in Government and court records, of their system of fraud, is presented in the chapter on the Elkins fortune.

FORGERY, PERJURY AND FRAUDULENT SURVEY

Reporting, in 1881, to the Commissioner of the General Land Office, Henry M. Atkinson, U. S. Surveyor-General of New Mexico, wrote that "the investigation of this office for the past five years has demonstrated that some of the alleged grants are forgeries." He set forth that unless the court before which these claims were adjudicated could have full access to the archives, "it is much more liable to be imposed upon by fraudulent title papers." [32] In fact, the many official reports describe with what cleverness the claimants to these great areas forged their papers, and the facility with which they bought up witnesses to perjure for them. Finding it impossible to go back of the aggregate and corroborative "evidence" thus offered, the courts were frequently forced to decide in favor of the claimants. To use a modern colloquial phrase, the cases were "framed up." In the case of Luis Jamarillo's claim to eighteen thousand acres in New Mexico, U. S. Surveyor-General Julian of New Mexico, in recommending the rejection of the claim and calling attention to the perjury committed, said:

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[28] House Reports, etc., 1885-86, ii:172.

[29] Ibid., 173.

[30] Ibid.

[31] See Resolution of House Committee on Private Land Claims, June, 1892, demanding a thorough investigation. The House took no action.—Report No. 1824, 1892.

[32] "The Public Domain," etc., 1124. Also see note 29.

> When these facts are considered, in connection with the further and well-known fact that such witnesses can readily be found by grant claimants, and that in this way the most monstrous frauds have been practiced in extending the lines of such grants in New Mexico, it is not possible to accept the statement of this witness as to the west boundary of the grant, which he locates at such a distance from the east line as to include more than four times the amount of land actually granted.[32]

"The widespread belief of the people of this country," wrote Commissioner Sparks in 1885, "that the land department has been largely conducted to the advantage of speculation and monopoly, private and corporate, rather than in the public interest, I have found supported by developments in every branch of the service. . . . I am satisfied that thousands of claims without foundation in law or equity, involving millions of acres of public land, have been annually passed to patent upon the single proposition that nobody but the Government had any *adverse* interest. The vast machinery of the land department has been devoted to the chief result of conveying the title of the United States to public lands upon fraudulent entries under loose construction of law." [34] Whenever a capitalist's interest was involved, the law was always "loosely construed," but the strictest interpretation was invariably given to laws passed against the working population.

It was estimated, in 1892, that 57,000,000 acres of land in New Mexico and Colorado had, for more than thirty years, been unlawfully treated by public officers as having been ceded to the United States by Mexico. The Maxwell, Sangre de Cristo, Nolan and other grants were within this area. The House Committee on Private Land Claims reported on April 29, 1892: "A long list of alleged Mexican and Spanish grants within the limits of the Texas cession have been confirmed, or quit claimed by Congress, under the false representation that said alleged grants were located in the territory of New Mexico ceded by the treaty; an enormous area of land has long been and is now held as confirmed Mexican and Spanish grants, located in the territory of Mexico ceded by the treaty when such is not the fact." [35]

In Texas the fraudulent, and often, violent methods of the seizure of land by the capitalists were fully as marked as those used elsewhere.

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[33] Senate Executive Documents, First Session, Fiftieth Congress, 1887-88, Vol. i, Private Land Claim No. 103, Ex. Doc. No. 20:3. Documents Nos. 3 to 11, 13 to 23, 25 to 29 and 38 in the same volume deal with similar claims.

[34] House Ex. Docs., 1885-86, ii:156.

[35] House Report, 1892, No. 1253:8.

Upon its admittance to the Union, Texas retained the disposition of its public lands. Up to about the year 1864, almost the entire area of Texas, comprising 274,356 square miles, or 175,587,840 acres, was one vast unfenced feeding ground for cattle, horses and sheep. In about the year 1874, the agricultural movement began; large numbers of intending farmers migrated to Texas, particularly with the expectation of raising cattle, then a highly profitable business. They found huge stretches of the land already preëmpted by individual capitalists or corporations. In a number of instances, some of these individuals, according to the report of a Congressional Committee, in 1884, dealing with Texas lands, had each acquired the ownership of more than two hundred and fifty thousand acres.

"It is a notorious fact," this committee reported, "that the public land laws, although framed with the special object of encouraging the public domain, of developing its resources and protecting actual settlers, have been extensively evaded and violated. Individuals and corporations have, by purchasing the proved-up claims, or purchases of ostensible settlers, employed by them to make entry, extensively secured the ownership of large bodies of land."[36] The committee went on to describe how, to a very considerable extent, "foreigners of large means" had obtained these great areas, and had gone into the cattle business, and how the titles to these lands were secured not only by individuals but by foreign corporations. "Certain of these foreigners are titled noblemen. Some of them have brought over from Europe, in considerable numbers, herdsmen and other employees who sustain to them a dependent relationship characteristic of the peasantry on the large landed estates of Europe." Two British syndicates, for instance, held 7,500,000 acres in Texas.[37]

This spoliation of the public domain was one of the chief grievances of the National Greenback-Labor party in 1880. This party, to a great extent, was composed of the Western farming element. In his letter accepting the nomination of that party for President of the United States, Gen. Weaver, himself a member of long standing in Congress from Iowa, wrote:

> An area of our public domain larger than the territory occupied by the great German Empire has been wantonly donated to wealthy corporations; while a bill introduced by Hon. Hendrick B. Wright, of Pennsylvania, to enable our poor people to reach and occupy the few acres remaining, has been scouted, ridiculed, and defeated in Congress. In consequence of this stupendous system of land-grabbing, millions of the young men of America, and millions more of industrious people from abroad, seeking homes in the New World, are left homeless and destitute. The public domain must be sacredly reserved to actual settlers, and where corporations have not complied strictly with the terms of their grants, the lands should be at once reclaimed.

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[36] House Reports, Second Session, Forty-eighth Congress, 1884-85, Vol. xxix, Ex. Doc. No. 267:43.

[37] House Reports, etc., 1884-85, Doc. No. 267:46.

INCREASE OF FARM TENANTRY

Without dwelling upon all the causative factors—involving an extended work in themselves—some significant general results will be pointed out.

The original area of public domain amounted to 1,815,504,147 acres, of which considerably more than half, embracing some of the very best agricultural, grazing, mineral and timber lands, was already alienated by the year 1880. By 1896 the alienation reached 806,532,362 acres. Of the original area, about 50,000,000 acres of forests were withdrawn from the public domain by the Government, and converted into forest reservations. Large portions of such of the agricultural, grazing, mineral and timber lands as were not seized by various corporations and favored individuals before 1880, were expropriated west of the Mississippi after that time. The nominal records of the General Land Office as to the number of homesteaders were of little value, and were very misleading. Immense numbers of alleged homesteaders were, as we have copiously seen, nothing but paid dummies by whose entries vast tracts of land were seized under color of law.

NO MORE PUBLIC LANDS FIT FOR FARMING

A recent Government report presented the facts as follows: on June 30, 1930, there were nearly 179,000,000 acres of land subject to entry under the Homestead and other applicable land laws. "But," stated the report, "these lands have little or no value for crop production . . . Part of this immense acreage is practically useless for any purpose." The report went on: "With practically no available agricultural land in Federal ownership, and a relatively small acreage of such land in State ownership, substantially all of the remaining 600,000,000 acres of land physically capable of producing crops, but not now so employed, are in private ownership."

Of the vast amount of public lands which had been vested in them, railroad corporations had sold much but they still owned a large area. "Railroads," the report continued, "are possibly the largest private owners of land held for sale or lease. In 1928 the area of land so owned totaled 22,325,885 acres . . . Many of the railroads maintain agricultural and immigration departments to induce settlers to buy or lease their privately owned lands and to encourage the settlement and development of other lands within the territory they serve. In addition to the railroads, there are innumerable private colonization, land-settlement and miscellaneous agencies which own land and are interested in selling it. From a practical point of view these private agencies control most of the remaining land that is physically capable of crop production. Most of this land is economically submarginal because of low fertility, remote location or the necessity of making heavy expenditures for clearing, drainage, irrigation or soil improvement."[38]

Notwithstanding the fact that only a few decades before, the Government had held far more than enough land to have provided every agriculturist with a farm, yet by 1880, a large farm tenant class had already developed. Not less than 1,024,061 of the 4,008,907 farms in the United States were held by renters. One-fourth of all the farms in the United States were cultivated by men who did not own them. Furthermore, and even more impressive, there were 3,323,876 farm laborers composed of men who did not even rent land. Equally significant was the increasing tendency to the operating of large farms by capitalists with the hired labor. Of farms under cultivation, extending from one hundred to five hundred acres, there were nearly a million and a half—1,416,618, to give the exact number—owned largely by capitalists and cultivated by laborers.[39]

Phillips, who had superior opportunities for getting at the real facts, and whose volume upon the subject issued at the time is well worthy of consideration, thus commented upon the census returns:

> It will thus be seen that of the 7,670,493 persons in our country engaged in agriculture, there are 1,024,601 who pay rent to persons not cultivating the soil; 1,508,828 capitalist or speculating owners, who own the soil and employ laborers; 804,522 of well-to-do farmers who hire part of their work or employ laborers, and 670,944 who may be said to actually cultivate the soil they own: the rest are hired workers.

Phillips went on to remark:

> Another fact must be borne in mind, that a large number of the 2,984,306 farmers who own land are in debt for it to the money lenders. From the writer's observation it is probable that forty per cent. of them are so deeply in debt as to pay a rent in interest. This squeezing process is going on at the rate of eight and ten per cent., and in most cases can terminate in but one way.[40]

HALF OF AMERICAN FARMS OPERATED BY TENANTS

In its Final Report, in 1916, the U. S. Commission on Industrial Relations complained that no nation-wide investigation of the condition of tenant farmers had ever been made. But the Commission itself made a thorough and conclusive investigation of such farmers in Texas. "Badly housed, ill-nourished, uneducated, and hopeless, these tenants continue year after year to eke out a bare living, moving frequently from one farm to another in the hope that something will turn up." The most alarming fact in American agriculture, the Commission declared, was the rapid growth of tenancy; in 1910 there were 37 tenant-operated farms in each 100 farms in the United States, as compared with 28 in 1890, an increase of 32 per cent during twenty years. The Commission also related how agricultural laborers were paid 80 cents a day on the huge estates throughout the western rural regions—estates which, as a rule, were "the property of absentee landlords, who are for the most part millionaires, resident in the eastern States or in Europe." [41] The percentage of farm tenancy in the United States rose to 38.1 in 1920 and to 38.6 in 1925; of a total number of 6,448,343 farms in 1920 there were 2,454,804 operated by tenants, and in 1925 of 6,371,640 farms, tenants operated 2,462,608.[42]

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[38] "State-Land Settlement Problems and Policies in the United States," U. S. Department of Agriculture, Technical Bulletin No. 357, May, 1933.

[39] Tenth Census, Statistics of Agriculture: 28.

[40] "Labor, Land and Law": 353.

In his testimony before a U. S. Senate Committee recently, Henry A. Wallace, Secretary of Agriculture gave this brief but effective resumé: "Only two generations ago we were at the height of the homestead movement which had as one of its fundamental aims the creation of an agriculture made up of preponderately small farm operators. Today we find that half of our farm lands are operated by tenants, and nearly that large a percentage of our farmers rent all the land that they farm."

Considering the cotton States in particular, we find that of every 100 cotton farms in 1930, tenants operated 60. And the composition of the tenancy families includes millions of whites as well as a lesser number of Negroes who, in 1930, were not quite 40 per cent of the total. In the decade from 1920 to 1930 alone, white tenants in the cotton States increased by 200,000 families; during the same time, Negro tenancy somewhat decreased because of considerable migration to the cities. Conditions among these tenants were so acute as to drive some of them to organize the Southern Tenant Farmers' Union, and in 1935 and 1936 we read of reprisals against organizers and members—evictions and floggings and meetings violently broken up by plantation owners and their masked hirelings.

A LARGELY DISPOSSESSED NATION

All of the factors operating to impoverish many of the farming population of the United States and turn them into homeless tenants were intensified. The World War, with the demands of the Allies for breadstuffs, meat and cotton, brought a period of some prosperity to farm-owning agriculturists. At the same time, the values of farm lands rose to inflated proportions. But this condition was transient; in 1920 came a complete collapse.

Among other factors influencing this sheer decline in prices of products and land was the mechanization of agriculture with its ensuing greater yield in products as compared with labor expended and capital invested. Also, after the war, European countries made the most extraordinary efforts to raise as much of their own food supply as they could. It was during this time that the status of many farmers changed from that of farm owners to farm tenants. In his report to President Franklin D. Roosevelt, at a later time, Secretary of Agriculture Wallace thus explained what had happened: "In the prosperous period that preceded the first post-war depression, tenancy increased in some areas because rising farm values made it more profitable to rent than to buy land. In the post-war depressions, tenancy increased because farmers who had borrowed heavily to buy or improve their farms could not meet their obligations. They lost their ownership status and became tenants.[43]

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[41] Final Report, U. S. Commission on Industrial Relations, 1916, 1:24-25.

[42] U. S. Census of Agriculture, 1925, Part I: 3.

Impelled by economic pressure, due in some measure to their obsolete equipment which could not compete with consolidated farms and the use of large-scale farm machinery, masses of small farmers abandoned their farms and migrated to the cities. This movement reached its highest point in 1922 when 1,120,000 more people moved to cities than from cities to farms. There was almost as large a loss to farms in 1926, and a definite check to the movement did not come until after the depression of 1929 when the net loss to farms was, in 1930, only 151,000 persons. Many city workers sought refuge with parents or relatives in the country because of inability to get employment in the cities; also, vacant farmsteads attracted numbers of city families who did not know where else to go.

EXTENT OF MORTGAGED FARMS

One third of farms operated by full owners were encumbered by mortgages; the census figures in 1925 showed that of a total of 3,313,490 of such farms 1,128,207 reported mortgage debt.[44] The 1930 census reported 1,845,997 farms operated by owners as free from debt, while 4,162, 131 farms of tenants and owners, or 66.2 per cent of the total, were mortgaged. The entire mortgage debt was estimated by the U. S. Department of Agriculture, in 1930, at $9,241,390,000—an increase of about $6,000,000,000 since 1910. Attempts to foreclose mortgages during the depression after 1930 caused agitations, and in several States, local protests or uprisings of farmers. To afford relief, Congress enacted a Farm Mortgage Moratorium law, but, in 1935 this was declared unconstitutional by the Supreme Court of the United States. However, it may be parenthetically noted, a Government agency devised to help home owners of all kinds, did function. At a time when, in 1933, foreclosures throughout America reached the enormous total of 1,000 a day, Congress created the Home Owners Loan Corporation which, from 1933 to 1936 loaned more than $3,000,000,000 in emergency home loans to prevent foreclosures. A large part of these loans were to city dwellers. Meanwhile, according to Resettlement Administrator Tugwell such a great number of farm families were so destitute that direct Government relief had to be given to at least 1,000,000 of these families. But in 1934 approximately 300,000 of these were shifted to the class of "rural rehabilitation"—the transferring of them from sterile farms to better land elsewhere.

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[43] U. S. Department of Agriculture Year Book, 1935: 67.

[44] U. S. Census of Agriculture, 1925, Part I: 16.

With this contrast of the forces at work which gave empires of public domain to the few, while dispossessing the tens of millions, we will now proceed to a consideration of some of the fortunes based upon railroads.

Chapter III

THE BEGINNINGS OF THE VANDERBILT FORTUNE

THE first of the overshadowing fortunes to develop from the ownership and manipulation of railroads was that of Cornelius Vanderbilt. The Havemeyers and other factory owners, whose descendants are now enrolled among the conspicuous multimillionaires, were still in the embryonic stages when Vanderbilt towered aloft in a class by himself with a fortune of $105,000,000. In these times of enormous individual accumulations and centralization of wealth, the personal possession of $105,000,000 does not excite a fraction of the astonished comment that it did at Cornelius Vanderbilt's death in 1877. Accustomed as the present generation is to the sight of billionaires or semi-billionaires, it cannot be expected to show any wonderment at fortunes of lesser proportions.

NINETY MILLIONS IN FIFTEEN YEARS

Yet to the people of sixty years ago, a round hundred million was something vast and unprecedented. In 1847 millionaires were so infrequent that the very word, as we have seen, was significantly italicised. But here was a man who, figuratively speaking, was a hundred millionaires rolled in one. Compared with his wealth the great fortunes of ten or fifteen years before dwindled into bagatelles. During the Civil War a fortune of $15,000,000 had been looked upon as monumental. Even the huge Astor fortune, so long far outranking all competitors, lost its exceptional distinction and ceased being the sole, unrivalled standard of immense wealth. Nearly a century of fraud was behind the Astor fortune. The greater part of Cornelius Vanderbilt's wealth was massed together in his last fifteen years.

This was the amazing, unparalleled feature to his generation. Within fifteen brief years he had possessed himself of more than $90,000,000. His wealth came rushing in at the rate of $6,000,000 a year. Such an accomplishment may not impress the people of these years, familiar as they are with the ease with which John D. Rockefeller and other multimillionaires have long swept in almost fabulous annual revenues. With his vaster yearly income [1] Rockefeller could look back and smile with superior disdain at the commotion raised by the contemplation of Cornelius Vanderbilt's $6,000,000.

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[1] The "New York Commercial," an ultra-conservative financial and commercial publication, estimated in January, 1905, his annual income to be $72,000,000. Of course, as already explained, incomes in recent years have been sharply and increasingly limited by the income tax. The only year in which definite and official information was publicly furnished as to incomes was (as already stated) in 1925. The

Each period to itself, however. Cornelius Vanderbilt was the golden luminary of his time, a magnate of such combined, far-reaching wealth and power as the United States had never known. Indeed, one overruns the line of tautology in distinguishing between wealth and power. The two were then identical not less than now. Wealth was the real power. None knew or boasted of this more than old Vanderbilt when, with advancing age, he became more arrogant and choleric and less and less inclined to smooth down the storms he provoked by his contemptuous flings at the great pliable public. When threatened by competitors, or occasionally by public officials, with the invocation of the law, he habitually sneered at them and vaunted his defiance. In terse sentences, interspersed with profanity, he proclaimed the fact that money was law; that it could buy either laws or immunity from the law.

Since wealth meant power, both economic and political, it is not difficult to estimate Vanderbilt's supreme place in his day.

Far below him, in point of possessions, stretched the 50,000,000 individuals who made up the nation's population. Nearly 10,000,000 were wage laborers, and of the 10,000,000 fully 500,000 were child laborers. The very best paid of skilled workers received in the highest market not more than $1,040 a year. The usual weekly pay ran from $12 to $20 a week; the average pay of unskilled laborers was $350 a year. More than 7,500,000 persons ploughed and hoed and harvested the farms of the country; comparatively few of them could claim a decent living, and a large proportion were in debt. The incomes of the middle class, including individual employers, business and professional men, tradesmen and small middlemen, ranged from $1,000 to $10,000 a year.

How immeasurably puny they all seemed beside Vanderbilt! He beheld a multitude of many millions struggling fiercely for the dollar that meant livelihood or fortune; those bits of metal or paper which commanded the necessities, comforts and luxuries of life; the antidote of grim poverty and the guarantees of good living; which dictated the services, honorable or often dishonorable, of men, women and children; which bought brains not less than souls, and which put their sordid seal on even the most sacred qualities. Now by these tokens, he had securely 105,000,000 of these bits of metal or wealth in some form equivalent to them. Millions of people had none of these dollars; the hundreds of thousands had a few; the thousands had hundreds of thousands; the few had millions. He had more than any.

Even with all his wealth, great as it was in his day, he would scarcely be worth remembrance were it not that he was the founder of a dynasty of wealth. Therein lies the present importance of his career.

Rockefeller wealth was then represented by John D. Rockefeller Jr., who headed the list of large income taxpayers in that year with a payment of $6,277,669. Henry Ford and his son Edsel came next with total payments together of $4,766,861. And next came Andrew W. Mellon whose income tax payment was $1,882,609.

STILL A LARGE FORTUNE

From $105,000,000 bequeathed at his death, the Vanderbilt fortune has grown until at its climax it reached hundreds of millions of dollars. In 1889 Shearman placed the wealth of Cornelius and William K. Vanderbilt, grandsons of the first Cornelius, at $100,000,000 each, and that of Frederick W. Vanderbilt, a brother of those two men, at $20,000,000.[2] Adding the fortunes of the various other members of the Vanderbilt family, the Vanderbilts then possessed about $300,000,000.

But the incidental mention of such a mass of money conveys no adequate conception of the power of this family. Nominally it is composed of private citizens with theoretically the same rights and limitations of citizenship held by any other citizen and no more. But this is a fanciful picture. In reality, the Vanderbilt family is one of the dynasties of inordinately rich families ruling the United States industrially. In combination with other powerful men or families of wealth, it shares the dictatorship of many corporations. Under the Vanderbilts' direct domination three decades ago were 21,000 miles of railroad lines, the ownership of which was embodied in $600,000,000 in stocks and $700,000,000 in bonds. One member alone, William K. Vanderbilt, was a director of seventy-three transportation and industrial combinations or corporations.

In the vicissitudes of industry there have been some striking changes in thirty years. But although not holding the singularly distinctive position in wealth that the Vanderbilts once did, yet they, as a family, are still masters of abundant riches.

A report submitted in February 1931, to the House of Representatives by its Committee on Interstate and Foreign Commerce listed the Vanderbilts as one of fifteen major groups which controlled 210,000 miles, or nearly 85 per cent of the railway mileage in America. The report showed that the Vanderbilt family was perhaps the largest holder of railway stocks, having 589,000 shares of common and preferred stocks in five important railways. But inasmuch as this report dealt wholly with voting power control, it did not include the amounts in bonds also owned. Four members of the Vanderbilt family, in 1936, held a total of 76 directorships in a variety of railroad corporations, a number of which were tributaries to main systems. The present Vanderbilt power in other fields was also shown by the fact that one of the Vanderbilts was a director of powerful New York City banks—the Chase National and the Central Hanover Bank & Trust Company; another Vanderbilt was a director of the First National Bank of the same city, and of the Pullman Company; a third was on the directorship of the Western Union Telegraph Company. In addition, all four Vanderbilts were directors of an assortment of other corporations. The passing years have reduced some of the older fortunes and shattered others, but manifestly the Vanderbilts as a family have held on to much of their securities.

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[2] "Who Owns the United States?"—The Forum Magazine, November, 1889.

BONDS THAT HOLD PRESENT AND POSTERITY

Behold, in imagination at least, this mass of stocks and bonds. Heaps of paper they seem; dead, inorganic things. A second's blaze will consume any one of them, a few strokes of the fingers tear it into shapeless ribbons. Yet under the institution of law, as it exists, these pieces of paper are endowed with a terrible power of life and death that even enthroned kings do not possess. Those dainty prints with their scrolls and numerals and inscriptions are binding titles to the absolute ownership of a large part of the resources created by the labors of entire peoples.

Kingly power at best is shadowy, indefinite, depending mostly upon traditional custom and audacious assumption backed by armed force. If it fall back upon a certain alleged divine right it cannot produce documents to prove its authority. The industrial monarchs of the United States are fortified with both power and proofs of possession. Those bonds and stocks are the tangible titles to tangible property; whoso holds them is vested with the ownership of the necessities of tens of millions of subjected people. Great stretches of railroad traverse the country; here are coal mines to whose products some ninety million people look for warmth; yonder are factories; there in the cities are street car lines and electric light and power supply and gas plants; on every hand are lands and forests and waterways—all owned, you find, by this or that dominant man or family.

The mind wanders back in amazement to the times when, if a king conquered territory, he had to erect a fortress or castle and station a garrison to hold it. They that then disputed the king's title could challenge, if they chose, at peril of death, the provisions of that title, which same provisions were swords and spears, arrows and muskets.

But nowhere throughout the large extent of the Vanderbilt's possessions or those of other ruling families are found warlike garrisons as evidence of ownership. Those uncouth barbarian methods are grossly antiquated; the part once played by armed battalions is now performed by bits of paper. A wondrously convenient change has it been; the owners of the resources of nations can disport themselves thousands of miles away from the scene of their ownership; they need never bestir themselves to provide measures for the retention of their property. Government, with its array of officials, prisons, armies and navies, undertakes all of this protection for them. So long as they hold these bits of paper in their name, Government recognizes them as the incontestable owners and safeguards their property accordingly.

Millions have gone hungry or lived on an attenuated diet while elsewhere harvests rotted in the ground; between their needs and nature's fertility lay the railroads. Organized and maintained for profit and for profit alone, the railroads carried produce and products at their fixed rates and not a whit less; if these rates were not paid the transportation was refused. And as transportation is necessary in the world's intercourse, the men who controlled it had the power to stand as an inflexible barrier between individuals, groups of individuals, nations and international peoples. The very agencies which, under a rational form of civilization, should have devoted to promoting the interests of mankind, were used as their capricious self-interest incline them by the few who were allowed to obtain control of them. What if helpless people were swept off by starvation or by diseases superinduced by lack of proper food? What if in the great cities an increasing sacrifice of innocents went on because their parents could not afford the price of good milk—a price determined to a large extent by railroad tariff? All of this slaughter and more made no impress upon the unimpressionable surfaces of these stocks and bonds, and left no record save in the hospitals and graveyards.

The railroad magnates had other powers. Government itself has no power to blot a town out of existence. It cannot strew desolation at will. But the railroad owners could do it and did not hesitate if sufficient profits be involved. One man sitting in a palace in New York could give an order declaring a secret discriminative tariff against the products of a place, whereupon its industries, no longer able to compete with formidable competitors enjoying better rates, closed down and the life of the place flickered and sometimes went out.

MONOPOLY AND NEW CONDITIONS

These were only some of the powers exercised during the decades when the railway magnates used autocratic methods, modified somewhat in later times by restraining orders of the Interstate Commerce Commission. Nevertheless, most of those magnates found full license to proceed with ever and ever increasing railroad capitalization. Much of this was watered, and was based upon the expectation that fast-increasing population would bring in augmented revenues and enhance its value. From 1905 to 1930 the total outstanding railway capital in America was increased from $13,805,000,000 to more than $24,000,000,000.

The men controlling railways were long sure that they had a perpetual monopoly of transportation. They, who were so accredited with great acumen and executive ability, did not realize that a new kind of transportation was already making serious inroads into their domain. Unconscious of this new factor or unable to devise ways of meeting it, they clung to obsolete equipment and insisted upon high fares. But the time came when they had to awake to the reality. Chiefly because of the widespread use of the automobile and the incoming of motor busses traversing the entire country, railroad traffic and revenues fell sharply. It was this stark fact, more perhaps than any power of law, which influenced various railway executives to turn to lower fares and the installing of better and speedier service in an effort to regain lost business.

A report submitted in June, 1936, by Joseph B. Eastman, Federal Coordinator of Transportation, declared that "the whole railroad attitude toward the passenger service has changed." He expressed his belief that by reduced fares the operation of lighter and faster trains, the use of motor busses and trucks and a general policy of co-ordinating railway, highway and water transport "the railroads can secure passenger traffic and passenger earnings much larger than they now have either through winning travel over to their services or through creating new travel, as the automobile has done." Whether or not this optimistic view will be fulfilled the future will determine.

The germination and establishment of the Vanderbilt fortune began with the activities of the first Cornelius Vanderbilt, the founder of this pile of wealth. He was born in 1794. His parents lived on Staten Island; his father conveyed passengers in a boat to and from New York—an industrious, dull man who did his plodding part and allowed his wife to manage household expenses. Regularly and obediently he turned his earnings over to her. She carefully hoarded every available cent, using an old clock as a depository.

THE FOUNDER'S START

Vanderbilt was a rugged, headstrong, untamable, illiterate youth. At twelve years of age he could scarcely write his own name. But he knew the ways of the water; when still a youth he commenced ferrying passengers and freight between Staten Island and New York City. For books he cared nothing; the refinements of life he scorned. His one passion was money. He was grasping and enterprising, coarse and domineering. Of the real details of his early life little is known except what has been written by laudatory writers. We are informed that as he gradually made and saved money he built his own schooners, and went in for the coasting trade. The invention and success of the steamboat, it is further related, convinced him that the day of the sailing vessel would soon be over. He, therefore, sold his interest in his schooners, and was engaged as captain of a steamboat plying between New York and points on the New Jersey coast. His wife at the same time enlarged the family revenues by running a wayside tavern at New Brunswick, N. J., whither Vanderbilt had moved.

In 1829, when his resources reached $30,000, he quit as an employee and began building his own steamboats. Little by little he drove many of his competitors out of business. This he was able to do by his harsh, unscrupulous and strategic measures.[3] He was severe with the men who

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[3] Some glimpses of Vanderbilt's activities and methods in his early career are obtainable from the court records. In 1827 he was fined two penalties of $50 for refusing to move a steamboat called "The Thistle," commanded by him, from a wharf on the North River in order to give berth to "The Legislature," a competing steamboat. His defence was that Adams, the harbor master, had no authority to compel him to move. The lower courts decided against him, and the Supreme Court, on appeal, affirmed their judgment. (Adams vs. Vanderbilt. Cowen's Reports. Cases in Supreme Court of the State of New York, vii:349-353.)

In 1841 the Eagle Iron Works sued Vanderbilt for the sum of $2,957.15 which it claimed was due under a contract made by Vanderbilt on March 8, 1838. This conworked for him, compelling them to work long hours for little pay. He showed a singular ability in undermining competitors. They could not pay low wages but what he could pay lower; as rapidly as they set about reducing passenger and freight rates he would anticipate them. His policy at this time was to bankrupt competitors, and then having obtained a monopoly, to charge exorbitant rates. The public, which welcomed him as a benefactor in declaring cheaper rates and which flocked to patronize his line, had to pay dearly for their premature and short-sighted joy. For the first five years his profits, according to Croffut, reached $30,000 a year, doubling in successive years. By the time he was forty years old he ran steamboats to many cities on the coast, and had amassed a fortune of half a million dollars.

DRIVING OUT COMPETITORS

Judging from the records of the times, one of his most effective means for harassing and driving out competitors was in bribing the New York Common Council to give him, and refuse them, dock privileges. As the city owned the docks, the Common Council had the exclusive right of determining to whom they should be leased. Not a year passed but what the ship, ferry and steamboat owners, the great landlords and other capitalists bribed the aldermen to lease or give them valuable city property. Many scandals resulted, culminating in the great scandal of 1853, when the Grand Jury, on February 26, handed up a presentment showing in detail how certain aldermen had received bribes for disposal of the city's water rights, pier privileges and other property, and how enormous sums had been expended in bribes to get railroad grants in the city.[4] Vanderbilt was not openly implicated in these frauds, no more than were the Astors, the Rhinelanders, the Goelets and other very rich men who prudently kept in the background, and who managed to loot the city by operating through go-betweens.

Vanderbilt's eulogists take great pains to elaborate upon his tremendous energy, sagacity and constructive enterprise, as though these were the exclusive qualities by which he got his fortune. Such a glittering picture, common in all of the usual biographies of rich men, discredits itself and is overthrown by the actual facts. The times in which Vanderbilt lived and thrived were not calculated to inspire the masses of people with respect for the trader's methods, although none could deny that the out-

tract called for the payment by Vanderbilt of $10,500 in three installments for the building of an engine for the steamboat "Wave." Vanderbilt paid $7,900, but refused to pay the remainder, on the ground that braces to the connecting rods were not supplied. These braces, it was brought out in court, cost only $75 or $100. The Supreme Court handed down a judgment against Vanderbilt. An appeal was taken by Vanderbilt, and Judge Nelson, in the Supreme Court, in October, 1841, affirmed that judgment.—Vanderbilt vs. Eagle Iron Works, Wendell's Reports, Cases in the Supreme Court of the State of New York, xxv:665-668.

[4] Proceedings of the New York Board of Aldermen, xlviii:423-431.

cropping capitalists of the period showed a fierce vigor in overcoming obstacles of man and of nature, and in extending their conquests toward the outposts of the habitable globe.

If indomitable enterprise assured permanency of wealth then many of Vanderbilt's competitors would have become and remained multimillionaires. Vanderbilt, by no means possessed a monopoly of acquisitive enterprise; on every hand, and in every line, were men fully as active and unprincipled as he. Nearly all of these men, and scores of competitors in his own sphere—dominant capitalists in their day—have become well-nigh lost in the records of time; their descendants are in the slough of poverty, genteel or otherwise. Those times were marked by the intensest commercial competition; business was a labyrinth of sharp tricks and low cunning; the man who managed to project his head far above the rest not only had to practice the methods of his competitors but to overreach and outdo them. It was in this regard that Vanderbilt showed superior ability.

In the exploitation of the workers--forcing them to work for low wages and compelling them to pay high prices for all necessities—Vanderbilt was no different from all contemporaneous capitalists. Capitalism subsisted by this process. Almost all conventional writers, it is true, set forth that it was the accepted process of the day, implying that it was a condition acquiesced in by the employer and worker. This is one of the lies disseminated for the purpose of proving that the great fortunes were made by legitimate methods. Far from being accepted by the workers it was denounced and was openly fought by them at every auspicious opportunity.

Vanderbilt became one of the largest ship and steamboat builders in the United States and one of the most formidable employers of labor. At one time he had a hundred vessels afloat. Thousands of shipwrights, mechanics and other workers toiled for him fourteen and sixteen hours a day at $1.50 a day for many years. The actual purchasing power of this wage kept declining as the cost of rent and other necessaries of life advanced. This was notably so after the great gold discoveries in California, when prices of all commodities rose abnormally, and the workers in every trade were forced to strike for higher wages in order to live. Most of these strikes were successful, but their results as far as wages went were barren; the advance wrung from employers was by no means equal to the increased cost of living.

REGARDED AS A COMMERCIAL BUCCANEER

The exploitation of labor, however, does not account for his success as a money maker. Many other men did the same, and yet in the vicissitudes of business went bankrupt; the realm of business was full of wrecks. Vanderbilt's success arose from his destructive tactics toward his competitors. He was regarded universally as the buccaneer of the shipping world. He leisurely allowed other men to build up profitable lines of steamboats, and he then proceeded to carry out methods which inevitably had one of two terminations: either his competitor had to buy him off at an exorbitant price, or he was left in undisputed possession. His principal biographer, Croffut, whose effusion is one long chant of praise, treats these methods as evidences of great shrewdness, and goes on: "His foible was 'opposition;' wherever his keen eye detected a line that was making a very large profit on its investment, he swooped down on it and drove it to the wall by offering a better service and lower rates." [5] This statement is only partially true; its omissions are more significant than its admissions.

Far from being the "constructive genius" that he is represented in every extant biographical work and note, Vanderbilt was the foremost mercantile pirate and commercial blackmailer of his day.

Harsh as these terms may seem, they are more than justified by the facts. His eulogists, in line with those of other rich men, weave a beautiful picture for the edification of posterity, of a broad, noble-minded man whose honesty was his sterling virtue, and whose splendid ability in opening up and extending the country's resources was rewarded with a great fortune and the thanks of his generation. This is utterly false. He who has the slightest knowledge of the low practices and degraded morals of the trading class and of the qualities which insured success, might at once suspect the spuriousness of this extravagant presentation, even if the vital facts were unavailable.

But there is no such difficulty. Obviously, for every one fraudulent commercial or political transaction that comes to public notice, hundreds and thousands of such transactions are kept in concealment. Enough facts, however, remain in official records to show the particular methods Vanderbilt used in getting together his millions. Yet no one hitherto seems to have taken the trouble to disinter them; even serious writers who cannot be accused of wealth worship or deliberate misstatement have all, without exception, borrowed their narratives of Vanderbilt's career from the fiction of his literary, newspaper and oratorical incense burners. And so it is that everywhere the conviction prevails that whatever fraudulent methods Vanderbilt employed in his later career, he was essentially an honest, straightforward man who was compelled by the promptings of sheer self-preservation to fight back at unscrupulous competitors or antagonists, and who innately was opposed to underhand work or fraud in any form. Vanderbilt is in every case portrayed as an eminently high-minded man who never stooped to dissimulation, deceit or treachery, and whose first millions, at any rate, were made in the legitimate ways of trade as they were then understood.

EXTORTION COMMON

The truth is that the bulk of Vanderbilt's original millions were the proceeds of extortion and blackmail.

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[5] "The Vanderbilts and the Story of Their Fortune," by W. A. Croffut, 1886:45-46

In the established code of business the word extortion had an unmistakable significance. Business men did not consider it at all dishonorable to oppress their workers; to manufacture and sell goods under false pretenses; to adulterate prepared foods and drugs; to demand the very highest prices for products upon which the very life of the people depended, and at a time when consumers needed them most; to bribe public officials and to hold up the Government in plundering schemes. These and many other practices were looked upon as commonplaces of ordinary trade.

But even as burglars will have their fine points of honor among themselves, so the business world set certain tacit limitations of action beyond which none could go without being regarded as violating the code. It was all very well as long as members of their own class plundered some other class, or fought one another, no matter how rapaciously, in accordance with understood procedure. But when any business man ventured to overstep these limitations, as Vanderbilt did, and levy a species of commercial blackmail to the extent of millions of dollars, then he was sternly denounced as an arch thief. If Vanderbilt had confined himself to the routine formulas of business, he might have gone down in failure. Many of the bankrupts were composed of business men who, while sharp themselves, were outgeneraled by abler sharpers. Vanderbilt was a master hand in despoiling the despoilers.

How did Vanderbilt manage to extort millions of dollars? The method was one of great simplicity; many of its features were brought out in the United States Senate in the debate of June 9, 1858, over the Mail Steamship bill. The Government had begun, more than a decade back, the policy of paying heavy subsidies to steamship companies for the transportation of mail. This subsidy, however, was not the only payment received by the steamship owners. In addition they were allowed what were called "postages"—the full returns from the amount of postage on the letters carried. Ocean postage at that time was enormous and burdensome, and was especially onerous upon a class of persons least able to bear it. About three-quarters of the letters transported by ships were written by emigrants. They were taxed the usual rate of twenty-four or twenty-nine cents for a single letter. In 1851 the amount received for trans-Atlantic postages was not less than a million dollars; three-fourths of this sum came directly from the working class.

THE CORRUPTION OF OFFICIALS

To get these subsidies, in conjunction with the "postages," the steamship owners by one means or another corrupted postal officials and members of Congress. "I have noticed," said Senator Toombs, in a speech in the United States Senate on June 9, 1858,

> that there has never been a head of a Department strong enough to resist steamship contracts. I have noticed them here with your Whig party and your

> Democratic party for the last thirteen years, and I have never seen any head of a Department strong enough to resist these influences. . . . Thirteen years' experience has taught me that wherever you allow the Postoffice or Navy Department to do anything which is for the benefit of contractors you may consider the thing as done. I could point to more than a dozen of these contracts. . . . A million dollars a year is a power that will be felt. For ten years it amounts to ten million dollars, and I know it is felt. I know it perverts legislation. I have seen its influence; I have seen the public treasury plundered by it. . . .[6]

By means of this systematic corruption the steamship owners received many millions of dollars of Government funds. This was all virtually plunder; the returns from the "postages" far more than paid them for the transportation of mails. And what became of these millions in loot? Part went in profits to the owners, and another part was used as private capital by them to build more and newer ships constantly. Practically none of Vanderbilt's ships cost him a cent; the Government funds paid for their building. In fact, a careful tracing of the history of all of the subsidized steamship companies proves that this plunder from the Government was very considerably more than enough to build and equip their entire lines.

One of the subsidized steamship lines was that of E. K. Collins & Co., a line running from New York to Liverpool. Collins debauched the postal officials and Congress so effectively that in 1847 he obtained an appropriation of $387,000 a year, and subsequently an additional appropriation of $475,000 for five years. Together with the "postages," these amounts made a total mail subsidy for that one line alone during the latter years of the contract of about a million dollars a year. The act of Congress did not, however, specify that the contract was to run for ten years. The postal officials, by what Senator Toombs termed "a fraudulent construction," declared that it did run for ten years from 1850, and made payments accordingly. The bill before Congress in the closing days of the session of 1858, was the usual annual authorization of the payment of this appropriation, as well as other mail-steamer appropriations.

VANDERBILT'S HUGE LOOT

In the course of this debate some remarkable facts came out as to how the Government was being steadily plundered, and why it was that the postal system was already burdened with a deficit of $5,000,000. While the appropriation bill was being solemnly discussed with patriotic exclamations, lobbyists of the various steamship companies busied themselves with influencing or purchasing votes within the very halls of Congress.

Almost the entire Senate was occupied for days with advocating this or that side as if they were paid attorneys pleading for the interests of either Collins or Vanderbilt. Apparently a bitter conflict was raging between these two millionaires. Vanderbilt's subsidized European lines ran to Southampton, Havre and Bremen; Collins' to Liverpool. There were indications that for years a secret understanding had been in force between Collins and Vanderbilt by which they divided the mail subsidy funds. Ostensibly, however, in order to give no sign of collusion, they went through the public appearance of warring upon each other. By this stratagem they were able to ward off criticism of monopoly, and each get a larger appropriation than if it were known that they were in league. But it was characteristic of business methods that while in collusion, Vanderbilt and Collins constantly sought to wreck the other.

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[6] The Congressional Globe, First Session, Thirty-fifth Congress, 1857-58, iii:2839.

One Senator after another arose with perfervid effusion of either Collins or Vanderbilt. The Collins supporters gave out the most suave arguments why the Collins line should be heavily subsidized, and why Collins should be permitted to change his European port to Southampton. Vanderbilt's retainers fought this move, which they declared would wipe out of existence the enterprise of a great and patriotic capitalist.

It was at this point that Senator Toombs, who represented neither side, cut in with a series of charges which dismayed the whole lobby for the time being. He denounced both Collins and Vanderbilt as plunderers, and then, in so many words, specifically accused Vanderbilt of having blackmailed millions of dollars. "I am trying," said Senator Toombs,

> to protect the Government against collusion, not against conflict. I do not know but that these parties have colluded now. I have not the least doubt that all these people understand one another. I am struggling against collusion. If they have colluded, why should Vanderbilt run to Southampton for the postage when Collins can get three hundred and eighty-seven thousand dollars for running to the same place? Why may not Collins, then, sell his ships, sit down in New York, and say to Vanderbilt, 'I will give you two hundred and thirty thousand dollars and pocket one hundred and fifty-seven thousand dollars a year.' That is the plain, naked case. The Senator from Vermont says the Postmaster General will protect us. It is my duty, in the first place, to prevent collusion, and prevent the country from being plundered; to protect it by law as well as I can.'

Regarding the California mails, Senator Toombs reminded the Senate of the granting eleven years before of enormous mail subsidies to the two steamship lines running to California—the Pacific Mail Steamship Company and the United States Mail Steamship Company, otherwise called the Harris and the Sloo lines. He declared that Vanderbilt, threatening them with both competition and a public agitation such as would uncover the fraud, had forced them to pay him gigantic sums in return for his silence and inactivity. Responsible capitalists, Senator Toombs said, had offered to carry the mails to California for $550,000. "Everybody knows," he said, "that it can be done for half the money we pay now. Why, then, should we continue to waste the public money?" Senator Toombs went on:

You give nine hundred thousand dollars a year to carry the mails to California; and Vanderbilt compels the contractors to give him $56,000 a month to keep quiet. This is the effect of your subventions. Under your Sloo and Harris contracts you pay about $900,000 a year (since 1847); and Vanderbilt, by his superior skill and energy, compelled them for a long time, to disgorge $40,000 a month, and now $56,000 a month. . . . They pay lobbymen, they pay agencies, they go to law, because everybody is to have something; and I know this Sloo contract has been in chancery in New York for years.[7] The result of this system is that here comes a man—as old Vanderbilt seems to be—I never saw him, but his operations have excited my admiration—and he runs right at them and says disgorge the plunder. He is the kingfish that is robbing these small plunderers that come about the Capitol. He does not come here for that purpose; but he says, 'Fork over $56,000 a month of this money to me, that I may lie in port with my ships,' and they do it.[8]

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[7] The case in chancery referred to by Senator Toombs was doubtless that of Sloo et al. vs. Law et al. (Case No. 12,957, Federal Cases, xxii:355-364.)

In this case argued before Judge Ingersoll in the United States Circuit Court, at New York City, on May 16, 1856, many interesting and characteristic facts came out both in the argument and in the Court decision.

From the decision (which went into the intricacies of the case at great length) it appeared that although Albert G. Sloo had formed the United States Mail Steamship Company, the incorporators were George Law, Marshall O. Roberts, Prosper M. Wetmore and Edwin Crosswell. Sloo assigned his contract to them. A trust fund was formed. Law fraudulently (so the decision read) took out $700,000 of stock, and also fraudulently appropriated large sums of money belonging to the trust fund. This was the same Law who, in 1851 (probably with a part of this plunder) bribed the New York Board of Aldermen, with money, to give him franchises for the Second and Ninth Avenue surface railway lines. Roberts appropriated $600,000 of the United States Mail Steamship Company's stock. The huge swindles upon the Government carried on by Roberts during the Civil War are described in later chapters in this work. Wetmore was a notorious lobbyist. By fraud, Law and Roberts thus managed to own the bulk of the capital stock of the United States Mail Steamship Company. The mail contract that it had with the Government was to yield $2,900,000 in ten years.

Vanderbilt stepped in to plunder these plunderers. During the time that Vanderbilt competed with that company, the price of a single steerage passage from California to New York was $35. After he had sold the company the steamship "North Star" for $400,000, and had blackmailed it into paying heavily for his silence and non-competition, the price of steerage passage was put up to $125 (p. 364).

The cause of the suit was a quarrel among the trustees over the division of the plunder. One of the trustees refused to permit another access to the books. Judge Ingersoll issued an injunction restraining the defendant trustees from withholding such books and papers.

[8] The Congressional Globe, 1857-58, iii:2843-2844.

The acts by which the establishment of the various subsidized ocean lines were authorized by Congress, specified that the steamers were to be fit for ships of war in case of necessity, and that these steamers were to be accepted by the Navy Department before they could draw subsidies. This part of the debate in the United States Senate shows the methods used in forcing their acceptance on the Government:

Mr. Collamer.—The Collins line was set up by special contract?

Mr. Toombs.—Yes, by special contract, and that was the way with the Sloo contract and the Harris contract. They were to build ships fit for war purposes. I know when the Collins vessels were built; I was a member of the Committee on Ways and Means of the other House, and I remember that the men at the head of our bureau

Thus, it is seen, Vanderbilt derived millions of dollars by this process of commercial blackmail. Without his having to risk a cent, or run the chance of losing a single ship, there was turned over to him a sum so large every year that many of the most opulent merchants could not claim the equal of it after a lifetime of feverish trade. It was purely as a means of blackmailing coercion that he started a steamship line to California to compete with the Harris and the Sloo interests. For his consent to quit running his ships and to give them a complete and unassailed monopoly he first extorted $480,000 a year of the postal subsidy, and then raised it to $612,000.

The matter came up in the House, June 12, 1858. Representative Davis, of Mississippi, made the same charges. He read this statement and inquired if it were true:

> These companies, in order to prevent all competition to their line, and to enable them, as they do, to charge passengers double fare, have actually paid Vanderbilt $30,000 per month, and the United States Mail Steamship Company, carrying the mail between New York and Aspinwall, an additional sum of $10,000 per month, making $40,000 per month to Vanderbilt since May, 1856, which they continued to do. This $480,000 are paid to Vanderbilt per annum simply to give these two companies the entire monopoly of their lines —which sum, and much more, is charged over to passengers and freight.

Representative Davis repeatedly pressed for a definite reply as to the truth of the statement. The advocates of the bill answered with evasions and equivocations.[9]

BLACKMAIL CHARGES TRUE

The mail steamer appropriation bill, as finally passed by Congress, allowed large subsidies to all of the steamship interests. The pretended warfare among them had served its purpose; all got what they sought in subsidy funds. While the bill allowed the Postmaster-General to change Collins' European terminus to Southampton, that official, so it was proved subsequently, was Vanderbilt's plastic tool.

But what became of the charges against Vanderbilt? Were they true or calumniatory? For two years Congress made no effort to ascertain

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of yards and docks said that they were not worth a sixpence for war purposes; that a single broadside would blow them to pieces; that they could not stand the fire of their own guns; but newspapers in the cities that were subsidized commenced firing on the Secretary of the Navy, and he succumbed and took the ships. That was the way they got here.

Senator Collamer, referring to the subsidy legislation, said: "As long as the Congress of the United States makes contracts, declares who they shall be with, and how much they shall pay for them, they can never escape the generally prevailing public suspicion that there is fraud and deceit and corruption in those contracts."

[9] The Congressional Globe, Part iii, 1857-58:3029. The Washington correspondent of the New York Times telegraphed (issue of June 2, 1858) that the mail subsidy bill was passed by the House "without twenty members knowing its details."

this. In 1860, however, charges of corruption in the postal system and other Government departments were so numerously made, that the House of Representatives on March 5, 1860, decided, as a matter of policy, to appoint an investigating committee. This committee, called the "Covode Committee," after the name of its chairman, probed into the allegations of Vanderbilt's blackmailing transactions. The charges made in 1858 by Senator Toombs and Representative Davis were fully substantiated.

Ellwood Fisher, a trustee of the United States Mail Steamship Company, testified on May 2, 1860, that during the greater part of the time he was trustee, Vanderbilt was paid $10,000 a month by the United States Mail Steamship Company, and that the Pacific Mail Steamship Company paid him $30,000 a month at the same time and for the same purpose. The agreement was that if competition appeared payment was to cease. In all, $480,000 a year was paid during this time. On June 5, 1860, Fisher again testified: "During the period of about four years and a half that I was one of the trustees, the earnings of the line were very large, but the greater part of the money was wrongfully appropriated to Vanderbilt for blackmail, and to others on various pretexts." [10] William H. Davidge, president of the Pacific Mail Steamship Company, admitted that the company had long paid blackmail money to Vanderbilt. "The arrangement," he said, "was based upon there being no competition, and the sum was regulated by that fact." [11] Horace F. Clark, Vanderbilt's son-in-law, one of the trustees of the United States Mail Steamship Company, likewise admitted the transaction.[12] It is quite useless to ask

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[10] House Reports, Thirty-sixth Congress, First Session, 1859-60, v:785-86 and 829. "Hence it was held," explained Fisher, in speaking of his fellow trustees, "that he [Vanderbilt] was interested in preventing competition, and the terror of his name and capital would be effectual upon others who might be disposed to establish steamship lines" (p. 786).

[11] Ibid., 795-796. The testimony of Fisher, Davidge and other officials of the steamship lines covers many pages of the investigating committee's report. Only a few of the most vital parts have been quoted here.

[12] Ibid., 824.

But Roberts and his associate trustees succeeded in making the Government recoup them, to a considerable extent, for the amount out of which Vanderbilt blackmailed them. They did it in this way:

A claim was trumped up by them that the Government owed a large sum, approximating about two million dollars, to the United States Mail Steamship Company for services in carrying mail in addition to those called for under the Sloo contract. In 1859 they began lobbying in Congress to have this claim recognized. The scheme was considered so brazen that Congress refused. Year after year, for eleven years, they tried to get Congress to pass an act for their benefit. Finally, on July 14, 1870, at a time when bribery was rampant in Congress, they succeeded. An act was passed directing the Court of Claims to investigate and determine the merits of the claim.

The Court of Claims threw the case out of court. Judge Drake, in delivering the opinion of the court, said that the act was to be so construed "as to prevent the entrapping of the Government by fixing upon it liability where the intention of the legislature [Congress] was only to authorize an investigation of the question of liawhether Vanderbilt was criminally prosecuted or civilly sued by the Government. Not only was he unmolested, but two years later, as we shall see, he carried on another huge swindle upon the Government under peculiarly heinous conditions.

This continuous robbery of the public treasury explains how Vanderbilt was able to get hold of millions of dollars at a time when millionaires were scarce. Vanderbilt is said to have boasted in 1853 that he had eleven million dollars invested at twenty-five per cent. A very large portion of this came directly from his bold system of commercial blackmail.[13] The mail subsidies were the real foundation of his fortune. Many newspaper editorials and articles of the time mention this fact. Only a few of the important underlying facts of the character of his methods when he was in the steamboat and steamship business can be gleaned from the records. But these few give a clear enough insight. With a part of the proceeds of his plan of piracy, he carried on a subtle system of corruption by which he and the other steamer owners were able time after time not only to continue their control of Congress and the postal authorities, but to defeat postal reform measures. For fifteen years Vanderbilt and his associates succeeded in stifling every bill introduced in Congress for the reduction of the postage on mail.

HE QUITS STEAMSHIPS

The Civil War with its commerce-preying privateers was an unpropitious time for American mercantile vessels. Vanderbilt now began his career as a railroad owner.

He was at this time sixty-nine years old, a tall, robust vigorous man with a stern face of remarkable vulgar strength. The illiteracy of his youth survived; he could not write the simplest words correctly, and his speech was a brusque medley of slang, jargon, dialect and profanity. It was said of him that he could swear more forcibly, variously and frequently than any other man of his generation. Like the Astors, he was cynical, distrustful, secretive and parsimonious. He kept his plans entirely to himself. In his business dealings he was never known to have shown the slightest mercy; he demanded the last cent due. His closefistedness was such a passion that for many years he refused to substitute new carpets for the scandalous ones covering the floors of his house No. 10 Washington place. He never read anything except the newspapers, which he skimmed at breakfast. To his children he was unsympathetic

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bility." (Marshall O. Roberts et al., Trustees, vs. the United States, Court of Claims Reports, vi:84-90). On appeal, however, the Supreme Court of the United States held that the act of Congress in referring the case to the Court of Claims was in effect *a ratification of the claim*. (Court of Claims Reports, xi:98-126.) Thus this bold robbery was fully validated.

[13] Undoubtedly so, but the precise proportion it is impossible to ascertain.

and inflexibly harsh; Croffut admits that they feared him. The only relaxations he allowed himself were fast driving and playing whist.

This, in short, is a picture of the man who in the next few years used his stolen millions to sweep into his ownership great railroad systems. Croffut asserts that in 1861 he was worth $20,000,000; other writers say that his wealth did not exceed $10,000,000. He knew nothing of railroads, not even the first technical or supervising rudiments. Upon one thing he depended and that alone: the brute force of money with its auxiliaries, cunning, bribery and fraud.

Chapter IV

THE ONRUSH OF THE VANDERBILT FORTUNE

WITH the outbreak of the Civil War, and the scouring of the seas by privateers, American ship owners found themselves with an assortment of superfluous vessels on their hands. Forced to withdraw from marine commerce, they looked about for two openings. One was how to dispose of their vessels, the other the seeking of a new and safe method of making millions.

Most of their vessels were of such scandalous construction that foreign capitalists would not buy them at any price. Hastily built in the brief period of ninety days, wholly with a view to immediate profit and with but a perfunctory regard for efficiency, many of these steamers were in a dangerous condition. That they survived voyages was perhaps due more to luck than anything else; year after year, vessel after vessel similarly built and owned had gone down to the bottom of the ocean. Collins had lost many of his ships; so had other steamship companies. The chronicles of sea travel were a long, grewsome succession of tragedies; every little while accounts would come in of ships sunk or mysteriously missing. Thousands of immigrants, inhumanly crowded in the enclosures of the steerage, were swept to death without even a fighting chance for life. Cabin passengers fared better; they were given the opportunity of taking to the life-boats in cases where there was sufficient warning, time and room. At best, sea travel is a hazard; the finest of ships are liable to meet with disaster. But over much of this sacrifice of life hung grim, ugly charges of mismanagement and corruption, of insufficient crews and incompetent officers; of defective machinery and rotting timber; of lack of proper inspection and safeguards.

THE ANSWER FOUND

The steamboat and steamship owners were not long lost in perplexity. Since they could no longer use their ships or make profit on ocean routes why not palm off their vessels upon the Government? A highly favorable time it was; the Government, under the imperative necessity of at once raising and transporting a huge army, needed vessels badly. As for the other question momentarily agitating the capitalists as to what new line of activity they could substitute for their own extinguished business, Vanderbilt soon showed how railroads could be made to yield a far greater fortune than commerce.

The titanic conflict opening between the North and the South found the Federal Government wholly unprepared. True, in granting the mail subsidies which established the ocean steamship companies, and which actually furnished the capital for many of them, Congress had inserted some fine provisions that these subsidized ships should be so built as to be "war steamers of the first class," available in time of war. But these provisions were mere vapor. Just as the Harris and the Sloo lines had obtained annual mail subsidy payments of $900,000 and had caused Government officials to accept their inferior vessels, so the Collins line had done the same. The report of a board of naval experts submitted to the Committee of Ways and Means of the House of Representatives had showed that the Collins steamers had not been built according to contract; that they would crumble to pieces under the fire of their own batteries, and that a single hostile gun would blow them to splinters. Yet they had been accepted by the Navy Department.

In times of peace the commercial interests had practiced the grossest frauds in corruptly imposing upon the Government every form of shoddy supplies. These were the same interests so vociferously proclaiming their intense patriotism. The Civil War put their pretensions of patriotism to the test. If ever a war took place in which Government and people had to strain every nerve and resource to carry on a great conflict it was the Civil War. The result of that war was only to exchange chattel slavery for the more extensive system of economic slavery. But the people of that time did not see this clearly. The Northern soldiers thought they were fighting for the noblest of all causes, and the mass of the people behind them were ready to make every sacrifice to win a momentous struggle, the direct issue of which was the overthrow or retention of black slavery.

How did the capitalist class act toward the Government, or rather, let us say, toward the army and the navy so heroically pouring out their blood in battles, and hazarding life in camps, hospitals, stockades and military prisons?

INDISCRIMINATE PLUNDERING DURING THE CIVIL WAR

The capitalists abundantly proved their devout patriotism by making tremendous fortunes from the necessities of that great crisis. They unloaded upon the Government at ten times the cost of manufacture quantities of munitions of war—munitions so frequently worthless that they often had to be thrown away after their purchase.[1] They supplied shoddy uniforms and blankets and wretched shoes; food of so deleterious a quality that it was a fertile cause of epidemics of fevers and of numberless deaths; they impressed, by force of corruption, worn-out, disintegrating hulks into service as army and naval transports. Not a single possibility of profit was there in which the most glaring frauds were not committed. By a series of disingenuous measures the banks plundered the Treasury and people and caused their banknotes to be exempt from taxation. The merchants defrauded the Government out of millions of dollars by bribing Custom House officers to connive at undervaluations of imports.[2] The Custom House frauds were so notorious that, goaded on by public opinion, the House of Representatives was forced to appoint an investigating committee. The chairman of this committee, Representative C. H. Van Wyck, of New York, after summarizing the testimony in a speech in the House on February 23, 1863, passionately exclaimed: "The starving, penniless man who steals a loaf of bread to save life you incarcerate in a dungeon; but the army of magnificent highwaymen who steal by tens of thousands from the people, go unwhipped of justice and are suffered to enjoy the fruits of their crimes. It has been so with former administrations: unfortunately it is so with this." [3]

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[1] In a speech on February 28, 1863, on the urgency of establishing additional government armories and foundries, Representative J. W. Wallace pointed out in the House of Representatives: "The arms, ordnance and munitions of war bought by the Government from private contractors and foreign armories since the commencement of the rebellion have doubtless cost, over and above the positive expense of their manufacture, ten times as much as would establish and put into operation the armory and foundries recommended in the resolution of the committee. I understand that the Government, from the necessity of procuring a sufficient quantity of arms, has been paying, on the average, about twenty-two dollars per musket, when they could have been and could be manufactured in our national workshops for one-half that money."—Appendix to The Congressional Globe,

The Federal armies not only had to fight an open foe in a desperately contested war, but they were at the same time the helpless targets for the profit-mongers of their own section who insidiously slew great numbers of them—not, it is true, out of deliberate lust for murder, but because the craze for profits crushed every instinct of honor and humanity, and rendered them callous to the appalling consequences. The battlefields were not more deadly than the supplies furnished by capitalist contractors.[4] These capitalists passed, and were hailed, as eminent

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Thirty-seventh Congress, Third Session, 1862-63. Part ii:136. Fuller details are given in subsequent chapters.

[2] In his report for 1862 Salmon P. Chase, Secretary of the Treasury, wrote: "That invoices representing fraudulent valuation of merchandise are daily presented at the Custom Houses is well known. . . ."

[3] Appendix to The Congressional Globe, Thirty-seventh Congress, Third Session, 1862-63. Part ii:118.

[4] This is one of many examples: Philip S. Justice, a gun manufacturer of Philadelphia, obtained a contract in 1861, to supply 4,000 rifles. He charged $20 apiece. The rifles were found to be so absolutely dangerous to the soldiers using them, that the Government declined to pay his demanded price for a part of them. Justice then brought suit. (See Court of Claims Reports, viii:37-54.) In the court records, these statements are included:

William H. Harris, Second Lieutenant of Ordnance, under orders visited Camp Hamilton, Va., and inspected the arms of the Fifty-Eighth Regiment, Pennsylvania Volunteers, stationed there. He reported: "This regiment is armed with rifle muskets, marked on the barrel, 'P. S. Justice, Philadelphia,' and vary in calibre from .65 to .70. I find many of them unserviceable and irreparable, from the fact that the principal parts are defective. Many of them are made up of parts of muskets to which the stamp of condemnation has been affixed by an inspecting officer. None of the stocks have ever been approved by an officer, nor do they bear the initials of any inspector. They are made up of soft, unseasoned wood, and are defective in merchants, manufacturers and bankers; they were mighty in the marts and in politics; and their praise as "enterprising" and "self-made" and "patriotic" men was lavishly diffused.

It was the period of periods when there was a kind of adoration of the capitalist taught in press, college and pulpit. Nothing is so effective, as was remarked of old, to divert attention from scoundrelism as to make a brilliant show of patriotism. In the very act of looting Government and people and devastating the army and navy, the capitalists did the most ghastly business under the mask of the purest patriotism. Incredible as it may seem, this pretension was invoked and has been successfully maintained to this very day. You can scarcely pick up a volume on the Civil War, or a biography of the statesmen or rich men of the era, without wading in fulsome accounts of the untiring patriotism of the capitalists.

PATRIOTISM AT A SAFE DISTANCE

But, while lustily indulging in patriotic palaver, the propertied classes took excellent care that their own bodies should not be imperilled. Inspired by enthusiasm or principle, a great array of the working class, including the farming and the professional elements, volunteered for military service. It was not long before they experienced the disappointment and demoralization of camp life. The letters written by many of these soldiers show that they did not falter at active campaigning. The prospect, however, of remaining in camp with insufficient rations, and (to use a modern expressive word) graft on every hand, completely dis-

construction. . . . The sights are merely soldered on to the barrel, and come off with the gentlest handling. Imitative screw-heads are cut on their bases. The bayonets are made up of soft iron, and, of course, when once bent remain 'set,'" etc., etc. (p. 43).

Col. (later General) Thomas D. Doubleday reported of his inspection: "The arms which were manufactured at Philadelphia, Penn., are of the most worthless kind, and have every appearance of having been manufactured from old condemned muskets. Many of them burst; hammers break off; sights fall off when discharged; the barrels are very light, not one-twentieth of an inch thick, and the stocks are made of green wood which have shrunk so as to leave the bands and trimmings loose. The bayonets are of such frail texture that they bend like lead, and many of them break off when going through the bayonet exercise. You could hardly conceive of such a worthless lot of arms, totally unfit for service, and dangerous to those using them" (p. 44).

Assistant Inspector-General of Ordnance John Buford reported: "Many had burst; many cones were blown out; many locks were defective; many barrels were rough inside from imperfect boring; and many had different diameters of bore in the same barrel. . . . *At target practice so many burst that the men became afraid to fire them"* (p. 45).

The Court of Claims, on strict technical grounds, decided in favor of Justice, but the Supreme Court of the United States reversed that decision and dismissed the case. The Supreme Court found true the Government's contention that "the arms were unserviceable and unsafe for troops to handle."

Many other such specific examples are given in subsequent chapters of this work.

heartened and disgusted many of them. Many having influence with members of Congress, contrived to get discharges; others lacking this influence deserted. To fill the constantly diminishing ranks caused by deaths, resignations and desertions, it became necessary to pass a conscription act.

With few exceptions, the propertied classes of the North loved comfort and power too well to look tranquilly upon any move to force them to enlist. Once more, the Government revealed that it was but a register of the interests of the ruling classes. The Draft Act was so amended that it allowed men of property to escape being conscripted into the army by permitting them to buy substitutes. The poor man who could not raise the necessary amount had to submit to the consequences of the draft. With a few of the many dollars wrung, filched or plundered in some way or other, the capitalists could purchase immunity from military service.

As one of the foremost capitalists of the time, Cornelius Vanderbilt has been constantly exhibited as a great and shining patriot. Precisely in the same way as Croffut makes no mention of Vanderbilt's share in the mail subsidy frauds, but, on the contrary, ascribes to Vanderbilt the most splendid patriotism in his mail carrying operations, so do Croffut and other writers unctuously dilate upon the old magnate's patriotic services during the Civil War. Such is the sort of romancing that has long gone unquestioned, although the genuine facts have been within reach. These facts show that Vanderbilt was continuing during the Civil War the prodigious frauds he had long been carrying on.

When Lincoln's administration decided in 1862 to send a large military and naval force to New Orleans under General Banks, one of the first considerations was to get in haste the required number of ships to be used as transports. To whom did the Government turn in this exigency? To the very merchant class which, since the foundation of the United States, had continuously defrauded the public treasury. The owners of the ships had been eagerly awaiting a chance to sell or lease them to the Government at exorbitant prices. And to whom was the business of buying, equipping and supervising them intrusted? To none other than Cornelius Vanderbilt.

Every public man had opportunities for knowing that Vanderbilt had pocketed millions of dollars in his fraudulent hold-up arrangement with various mail subsidy lines. He was known to be mercenary and unscrupulous. Yet he was selected by Secretary of War Stanton to act as the agent for the Government. At this time Vanderbilt was posing as a glorious patriot. With much ostentation he had loaned to the Government for naval purposes one of his ships—a ship that he could not put to use himself and which, in fact, had been built with stolen public funds. By this gift he had cheaply attained the reputation of being a fervent patriot. Subsequently, it may be added, Congress turned a trick on him by assuming that he gave this ship to the Government, and, to his great astonishment, kept the ship and solemnly thanked him for the present.

VANDERBILT'S METHODS IN WAR

The outfitting of the Banks expedition was of such a rank character that it provoked a grave public scandal. If the matter had been simply one of swindling the United States Treasury out of millions of dollars, it might have been passed over by Congress. On all sides gigantic frauds were being committed by the capitalists. But in this particular case the protests of the thousands of soldiers on board the transports were too numerous and effective to be silenced or ignored. These soldiers were not regulars without influence or connections; they were volunteers who everywhere had relatives and friends to demand an inquiry. Their complaints of overcrowding and of insecure, broken-down ships poured in, and aroused the whole country. A great stir resulted. Congress appointed an investigating committee.

The testimony was extremely illuminative. It showed that in buying the vessels Vanderbilt had employed one T. J. Southard to act as his handy man. Vanderbilt, it was testified by numerous ship owners, refused to charter any vessels unless the business were transacted through Southard, who demanded a share of the purchase money before he would consent to do business. Any ship owner who wanted to get rid of a superannuated steamer or sailing vessel found no difficulty if he acceded to Southard's terms.

The vessels accepted by Vanderbilt, and contracted to be paid for at high prices, were in shockingly bad condition. Vanderbilt was one of the few men in the secret of the destination of Banks' expedition; he knew that the ships had to make an ocean trip. Yet he bought for $10,000 the Niagara, an old boat that had been built nearly a score of years before for trade on Lake Ontario. "In perfectly smooth weather," reported Senator Grimes, of Iowa, "with a calm sea, the planks were ripped out of her, and exhibited to the gaze of the indignant soldiers on board, showing that her timbers were rotten. The committee have in their committee room a large sample of one of the beams of this vessel to show that it has not the slightest capacity to hold a nail." [5] Senator Grimes continued:

> If Senators will refer to page 18 of this report, they will see that for the steamer Eastern Queen he (Vanderbilt) paid $900 a day for the first thirty days, and $800 for the residue of the days; while she (the Eastern Queen) had been chartered by the Government, for the Burnside expedition at $500 a day, making a difference of three or four hundred dollars a day. He paid for the Quinebang $250 a day, while she had been chartered to the Government at one time for $130 a day. For the Shetucket he paid $250 a day, while she had formerly been in our employ for $150 a day. He paid for the Charles Osgood $250 a day, while we had chartered her for $150. He paid $250 a day for the James S. Green, while we had once had a charter of her for $200. He paid $450 a day for the Salvor, while she had been chartered to the Govern-

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[5] The Congressional Globe, Thirty-seventh Congress, Third Session, 1862-63, Part 1:610.

ment for $300. He paid $250 a day for the Albany, while she had been chartered to the Government for $150. He paid $250 a day for the Jersey Blue, while she had been chartered to the Government for $150.[6]

These were a few of the many vessels chartered by Vanderbilt through Southard for the Government. For vessels bought outright, extravagant sums were paid. Ambrose Snow, a well-known shipping merchant, testified that "when we got to Commodore Vanderbilt we were referred to Mr. Southard; when we went to Mr. Southard, we were told that we should have to pay him a commission of five per cent."[7]

Other shipping merchants corroborated this testimony. The methods and extent of these great frauds were clear. If the ship owners agreed to pay Southard five—and very often he exacted ten per cent[8]—Vanderbilt would agree to pay them enormous sums. In giving his testimony Vanderbilt sought to show that he was actuated by the most patriotic motives. But it was obvious that he was in collusion with Southard, and received the greater part of the plunder.

HORRORS DONE FOR PROFIT

On some of the vessels chartered by Vanderbilt, vessels that under the immigration act would not have been allowed to carry more than three hundred passengers, not less than nine hundred and fifty soldiers were packed. Most of the vessels were antiquated and inadequate; not a few were badly decayed. With a little superficial patching up they were imposed upon the Government. Despite his knowing that only vessels adapted for ocean service were needed, Vanderbilt chartered craft that had hitherto been almost entirely used in navigating inland waters. Not a single precaution was taken by him or his associates to safeguard the lives of the soldiers.

It was a rule among commercial men that at least two men capable of navigating should be aboard, especially at sea. Yet, with the lives of thousands of soldiers at stake, and with old and bad vessels in use at that, Vanderbilt, in more than one instance, as the testimony showed, neglected to hire more than one navigator, and failed to provide instruments and charts. In stating these facts Senator Grimes said: "When the question was asked of Commodore Vanderbilt and of other gentlemen in connection with the expedition, why this was, and why they did not take navigators and instruments and charts on board, the answer was that the insurance companies and owners of the vessel took that risk, as though"—Senator Grimes bitingly continued—"the Government had no risk in the lives of its valiant men whom it has enlisted under its banner and set out in an expedition of this kind."[9] If the expedition had encountered a severe storm at Cape Hatteras, for instance, it is probable that most of the vessels would have been wrecked. Luckily the voyage was fair.

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[6] The Congressional Globe, etc., 1862-63, Part i:610.

[7] Ibid. See also Senate Report No. 84, 1863, embracing the full testimony.

[8] Senator Hale asserted that he had heard of the exacting of a brokerage equal to ten per cent. in Boston and elsewhere.

FRAUDS REMAIN UNPUNISHED

Did the Government make any move to arrest, indict and imprison Vanderbilt and his tools? None. The farcical ending of these revelations was the introduction in the United States Senate of a mere resolution censuring them as "guilty of negligence."

Vanderbilt immediately got busy pulling wires; and when the resolution came up for vote, a number of Senators, led by Senator Hale, sprang up to withdraw Vanderbilt's name. Senator Grimes thereupon caustically denounced Vanderbilt. "The whole transaction," said he, "shows a chapter of fraud from beginning to end." He went on: "Men making the most open professions of loyalty and of patriotism and of perfect disinterestedness, coming before the committee and swearing that they acted from such motives solely, were compelled to admit—at least one or two were—that in some instances they received as high as six and a quarter per cent. . . . and I believe that since then the committee are satisfied in their own mind that the per cent. was greater than was in testimony before them." Senator Grimes added that he did not believe that Vanderbilt's name should be stricken from the resolution.

In vain, however, did Senator Grimes plead. Vanderbilt's name was expunged, and Southard was made the chief scapegoat. Although Vanderbilt had been tenderly dealt with in the investigation, his criminality was conclusively established. The affair deeply shocked the nation. After all, it was only another of many tragic events demonstrating both the utter inefficiency of capitalist management, and the consistent capitalist program of subordinating every consideration of human life to the mania for profits. Vanderbilt was only a type of his class; although he was found out he deserved condemnation no more than thousands of other capitalists, great and small, whose methods at bottom did not vary from his.[10] Yet such was the network of shams and falsities with which the supreme class of the time enmeshed society, that press, pulpit, university and the so-called statesmen insisted that the wealth of the rich man had its foundation in ability, and that this ability was indispensable in providing for the material wants of mankind.

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[9] The Congressional Globe, Thirty-seventh Congress, Third Session, 1862-63, Part i:586.

[10] One of the grossest and most prevalent forms of fraud was that of selling doctored-up horses to the Union army. Important cavalry movements were often delayed and jeoparded by this kind of fraud. In passing upon the suit of one of these horse contractors against the Government (Daniel Wormser vs. United States) for payment for horses supplied, in 1864, for cavalry use, the Supreme Court of the United States confirmed the charge made by the Government horse inspectors that the plaintiff had been guilty of fraud, and dismissed the case. "The Government," said Justice Bradley in the court's decision, "clearly had the right to proscribe regulations for the inspection of horses, and there was great need for strictness in this regard, for frauds were constantly perpetrated. . . . It is well known that horses may be prepared and fixed up to appear bright and smart for a few hours."—Court of Claims Reports, vii:257-262.

Whatever obscurity may cloud many of Vanderbilt's methods in the steamship business, his methods in possessing himself of railroads are easily ascertained from official archives.

Late in 1862, at about the time when he had added to the millions that he had obtained in the mail subsidy frauds, the huge profits from his manipulation of the Banks expedition, he set about buying the stock of the New York and Harlem Railroad.

THE STORY OF A FRANCHISE

This railroad, the first to enter New York City, had received from the New York Common Council in 1832 a franchise for the exclusive use of Fourth avenue, north of Twenty-third street—a franchise which, it was openly charged, was obtained by distributing bribes in the form of stock among the aldermen.[11]

The franchise was not construed by the city to be perpetual; certain reservations were embodied giving the city powers of revocation. But as we shall see, Vanderbilt not only caused the Legislature in 1872 to pass an act saddling one-half of the expense of depressing the tracks upon the city, but caused the act to be so adroitly worded as to make the franchise perpetual. Along with the franchise to use Fourth avenue, the railroad company secured in 1832 a franchise, free of taxation, to run street cars for the convenience of its passengers from the railroad station (then in the outskirts of New York City) south to Prince street. Subsequently this franchise was extended to Walker street, and in 1851 to Park Row. These were the initial stages of the Fourth avenue surface line, which remained in operation until 1933. In 1858 the New York and Harlem Railroad Company was forced by action of the Common Council, arising from the protests of the rich residents of Murray Hill, to discontinue steam service below Forty-second street. It, therefore, now had a street car line running from that thoroughfare to the Astor House.

This explanation of antecedent circumstances allows a clearer comprehension of what took place after Vanderbilt had begun buying the stock of the New York and Harlem Railroad. The stock was then selling at $9 a share. This railroad, as was the case with all other railroads, without exception, was run by the owners with only the most languid regard for the public interests and safety. Just as the corporation in the theory of the law was supposed to be a body to whom Government delegated powers to do certain things in the interests of the people, so was the railroad considered theoretically a public highway operated for the convenience of the people. It was upon this ostensible ground that railroad corporations secured charters, franchises, property and such privileges as the right of condemnation of necessary land. The State of New York alone had contributed $8,000,000 in public funds, and various counties, towns and municipalities in New York State nearly $31,000,000 by investment in stocks and bonds.[12] The theory was indeed attractive, but it remained nothing more than a fiction.

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[11] "The History of Tammany Hall": 117.

No sooner did the railroad owners get what they wanted, than they proceeded to exploit the very community from which their possessions were obtained, and which they were supposed to serve. The various railroads were juggled with by succeeding groups of manipulators. Management was neglected, and no attention paid to proper equipment. Often the physical layout of the railroads—the road-beds, rails and cars—were deliberately allowed to deteriorate in order that the manipulators might be able to lower the value and efficiency of the road, and thus depress the value of the stock. Thus, for instance, Vanderbilt aiming to get control of a railroad at a low price, might very well have confederates among some of the directors or officials of that railroad who would resist or slyly thwart every attempt at improvement, and so scheme that the profits would constantly go down. As the profits decreased, so did the price of the stock in the stock market. The changing combinations of railroad capitalists were too absorbed in the process of gambling in the stock market to have any direct concern for management. It was nothing to them that this neglect caused frequent and heartrending disasters; they were not held criminally responsible for the loss of life. In fact, railroad wrecks often served their purpose in beating down the price of stocks. Incredible as this statement may seem, it is abundantly proved by the facts.

VANDERBILT GETS A RAILROAD

After Vanderbilt, by divers machinations of too intricate character to be described here, had succeeded in knocking down the price of New York and Harlem Railroad shares and had bought a controlling part, the price began bounding up. In the middle of April, 1863, it stood at $50 a share. A very decided increase it was, from $9 to $50; evidently enough, to occasion this rise, he had put through some transaction which had added immensely to the profits of the road. What was it?

Sinister rumors preceded what the evening of April 21, 1863, disclosed. He had bribed the New York City Common Council to give to the New York and Harlem Railroad a perpetual franchise for a street railway on Broadway from the Battery to Union Square. He had done what Solomon Kipp and others had done, in 1852, when they had spent $50,000 in bribing the aldermen to give them a franchise for surface lines on Sixth avenue and Eighth avenue; [13] what Elijah F. Purdy and others had done in the same year in bribing aldermen with a fund of $28,000 to give them the franchise for a surface line on Third avenue; [14] what George Law and other capitalists had done, in 1852, in bribing the aldermen to give them the franchises for street car lines on Second avenue and Ninth avenue. Only three years before—in 1860—Vanderbilt had seen Jacob Sharp and others bribe the New York Legislature (which in that same year had passed an act depriving the New York Common Council of the power of franchise granting) to give them franchises for street car lines on Seventh avenue, on Tenth avenue, on Forty-second street, on Avenue D and a franchise for the "Belt" line. It was generally believed that the passage of these five bills cost the projectors $250,000 in money and stock distributed among the purchasable members of the Legislature.[15]

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[12] Report of the Special Committee on Railroads of the New York State Assembly, 1879, i:7.

Of all the New York City street railway franchises, either appropriated or unappropriated, the Broadway line was considered the most profitable. So valuable were its present and potential prospects estimated that in 1852 Thomas E. Davies and his associates had offered, in return for the franchise, to carry passengers for a three-cent fare and to pay the city a million-dollar bonus. Other eager capitalists had hastened to offer the city a continuous payment of $100,000 a year. Similar futile attempts had been made year after year to get the franchise. The rich residents of Broadway opposed a street car line, believing it would subject them to noise and discomfort; likewise the stage owners, intent upon keeping up their monopoly, fought against it. In 1863 the bare rights of the Broadway franchise were considered to be worth fully $10,000,000. Vanderbilt and George Law were now frantically competing for this franchise. While Vanderbilt was corrupting the Common Council, Law was corrupting the legislature.[16] Such competition on the part of capitalists in corrupting public bodies was very frequent.

THE ALDERMEN OUTWITTED BY VANDERBILT

But the aldermen were by no means unschooled in the current sharp practices of commercialism. A strong cabal of them hatched up a scheme by which they would take Vanderbilt's bribe money, and then ambush him for still greater spoils. They knew that even if they gave him the franchise, its validity would not stand the test of the courts. The Legislature claimed the exclusive power of granting franchises; astute lawyers assured them that this claim would be upheld. Their plan was to grant a franchise for the Broadway line to the New York and Harlem Railroad. This would at once send up the price of the stock. The Legislature, it was certain, would give a franchise for the same surface line to Law. When the courts decided against the Common Council that body, in a spirit of showy deference, would promptly pass an ordinance repealing the franchise. In the meantime, the aldermen and their political and Wall Street confederates would contract to "sell short" large quantities of New York and Harlem stock.

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[13] See presentment of Grand Jury of February 26, 1853, and accompanying testimony, Documents of the (New York) Board of Aldermen, Doc. No. XXI, Part II, No. 55.

[14] Ibid., 1333-1335.

[15] See "The History of Public Franchises in New York City": 120-125.

[16] The business rivalry between Vanderbilt and Law was intensified by the deepest personal enmity on Law's part. As one of the chief owners of the United States Mail Steamship Company, Law was extremely bitter on the score of Vanderbilt's having been able to blackmail him and Roberts so heavily and successfully.

The method was simple. When that railroad stock was selling at $100 a share upon the strength of getting the Broadway franchise, the aldermen would find many persons willing to contract for its delivery in a month at a price, say, of $90 a share. By either the repealing of the franchise ordinance or affected by adverse court decisions, the stock inevitably would sink to a much lower price. At this low price the aldermen and their confederates would buy the stock and then deliver it, compelling the contracting parties to pay the agreed price of $90 a share. The difference between the stipulated price of delivery and the value to which the stock had fallen—$30, $40 or $50 a share—would represent the winnings.

Part of this plan worked out admirably. The Legislature passed an act giving Law the franchise. Vanderbilt countered by getting Tweed, the all-powerful political ruler of New York City and New York State, to order his tool, Governor Seymour, to veto the measure. As was anticipated by the aldermen, the courts pronounced that the Common Council had no power to grant franchises. Vanderbilt's franchise was, therefore, annulled. So far, there was not hitch in the plot to pluck Vanderbilt.

But an unlooked for obstacle was encountered. Vanderbilt had somehow got wind of the affair, and with instant energy bought up secretly all of the New York and Harlem Railroad stock he could. He had masses of ready money to do it with; the millions from the mail subsidy frauds and from his other lootings of the public treasury proved an unfailing source of supply. Presently, he had enough of the stock to corner his antagonists badly. He then put his own price upon it, eventually pushing it up to $170 a share. To get the stock that they contracted to deliver, the combination of politicians and Wall Street bankers and brokers had to buy it from him at his own price; there was no outstanding stock elsewhere. The old man was pitiless; he mulcted them $179 a share. In his version, Croffut says of Vanderbilt: "He and his partners in the bull movement took a million dollars from the Common Council that week and other millions from others." [17]

The New York and Harlem Railroad was now his, as absolutely almost as the very clothes he wore. Little it mattered that he did not hold all of the stock; he owned a preponderance enough to rule the railroad as despotically as he pleased. Not a foot of it had he surveyed or constructed; this task had been done by the mental and manual labor of thousands of wage workers not one of whom now owned the vestige of an interest in it. For their toil these wage workers had nothing to show but poverty. But Vanderbilt had swept in a railroad system by merely using in cunning and unscrupulous ways a few of the millions he had defrauded from the national treasury.

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[17] "The Vanderbilts," etc: 75.

HE ANNEXES A SECOND RAILROAD

Having found it so easy to get one railroad, he promptly went ahead to annex other railroads. By 1864 he loomed up as the owner of a controlling mass of stock in the New York and Hudson River Railroad. This line paralleled the Hudson River, and had a terminal in the downtown section of New York City. In a way it was a competitor of the New York and Harlem Railroad.

The old magnate now conceived a brilliant idea. Why not consolidate the two roads? True, to bring about this consolidation an authorizing act of the New York Legislature was necessary. But there was little doubt of the Legislature balking. Vanderbilt well knew the means to insure its passage. In those years, when the people were taught to look upon competition as indispensable, there was deep popular opposition to the consolidating of competing interests. This, it was feared, would inflict monopoly.

The cost of buying legislators to pass an act so provocative of popular indignation would be considerable, but, at the same time, it would not be more than a trifle compared with the immense profits he would gain. The consolidation would allow him to increase, or, as the phrase went, water, the stock of the combined roads. Although substantially owner of the two railroads, he was legally two separate entities—or, rather, the corporations were. As owner of one line he could bargain with himself as owner of the other, and could determine what the exchange purchase price should be. So, by a juggle, he could issue enormous quantities of bonds and stocks to himself. These many millions of bonds and stocks would not cost him personally a cent. The sole expense—the bribe funds and the cost of engraving—he would charge against his corporations. Immediately, these stocks and bonds would be vested with a high value, inasmuch as they would represent mortgages upon the productivity of tens of millions of people of that generation, and of still greater numbers of future generations. By putting up traffic rates and lowering wages, dividends could be paid upon the entire outpouring of stock, thus beyond a doubt insuring its permanent value.[18]

[18] Even Croffut, Vanderbilt's foremost eulogist, cynically grows merry over Vanderbilt's methods which he thus summarizes: "(1) Buy your railroad; (2) stop the stealing that went on under the other man; (3) improve the road in every practicable way within a reasonable expenditure; (4) consolidate it with any other road that can be run with it economically; (5) water its stock; (6) make it pay a large dividend."

CUNNING AGAINST CUNNING

A majority of the New York Legislature was bought. It looked as if the consolidation act would go through without difficulty. Surreptitiously, however, certain leading men in the Legislature plotted with the Wall Street opponents of Vanderbilt to repeat the trick attempted by the New York aldermen in 1863. The bill would be introduced and reported favorably; every open indication would be manifested of keeping faith with Vanderbilt. Upon the certainty of its passage the market value of the stock would rise. With their prearranged plan of defeating the bill at the last moment upon some plausible pretext, the clique in the meantime would be busy selling short.

Information of this treachery came to Vanderbilt in time. He retaliated as he had upon the New York aldermen; put the price of New York and Harlem stock up to $285 a share and held it there until after he was settled with. With his chief partner, John Tobin, he was credited with pocketing many millions of dollars. To make their corner certain, the Vanderbilt pool had bought 27,000 more shares than the entire existing stock of the road. "We busted the whole Legislature," was Vanderbilt's jubilant comment, "and scores of the honorable members had to go home without paying their board bills."

The numerous millions taken in by Vanderbilt in these transactions came from a host of other men who would have plundered him as quickly as he plundered them. They came from members of the Legislature who had grown rich on bribes for granting a continuous succession of special privileges, or to put it in a more comprehensible form, licenses to individuals and corporations to prey in a thousand and one forms upon the people. They came from bankers, railroad, land and factory owners, all of whom had assiduously bribed Congress, legislatures, common councils and administrative officials to give them special laws and rights by which they could all the more easily and securely grasp the produce of the many, and hold it intact without even a semblance of taxation.

The very nature of that system of gambling called stock-market or cotton or produce exchange speculation showed at once the sharply-defined disparities and discriminations in law.

Common gambling, so-called, was a crime. The gambling of the exchanges was legitimate and legalized, and the men who thus gambled with the resources of the nation were esteemed as highly respectable and responsible leaders of the community. For a penniless man to sell anything he did not own, or which was not in existence, was held a heinous crime and was severely punished by a long prison term. But the members of the all-powerful propertied class could contract to deliver stocks which they did not own or which were non-existent, or they could gamble in produce often not yet out of the ground, and the law saw no criminal act in their performances.

Far from being under the inhibition of law, their methods were duly legalized. The explanation was not hard to find. These same propertied classes had made the code of laws as it stood; and if any doubter denies that laws at all times have exactly corresponded with the interests and aims of the ruling class, all that is necessary is to compare the laws of the different periods with the profitable methods of that class, and he will find that these methods, however despicable, vile and cruel, were not only indulgently omitted from the recognized category of crimes but were elevated by prevalent teaching to be commercial virtues and ability of a high order.

With two railroads in his possession Vanderbilt cast about to drag in a third. This was the New York Central Railroad, one of the richest in the country.

Vanderbilt's eulogists, in depicting him as a masterful constructionist, assert that it was he who first saw the waste and futility of competition, and that he organized the New York Central from the disjointed, disconnected lines of a number of previously separate little railroads. This is a gross error.

The consolidation was formed in 1853 at the time when Vanderbilt was plundering from the United States treasury the millions with which he began to buy in railroads nine years later. The New York Central arose from the union of ten little railroads, some running in the territory between Albany and Buffalo, and others merely projected, but which had nevertheless been capitalized as though they were actually in operation.

The cost of construction of these eleven roads was about $10,000,000, but they were capitalized at $23,000,000. Under the consolidating act of 1853 the capitalization was run up to about $35,000,000. This fictitious capital was partly based on roads which were never built, and existed on paper only. Then followed a series of legislative acts giving the company a further list of valuable franchises and allowing it to charge extortionate rates, inflate its stock, and virtually escape taxation. How these laws were procured may be judged from the testimony of the treasurer of the New York Central railroad before a committee of the New York State Constitutional Convention. This official stated that from about 1853 to 1867 the New York Central had spent hundreds of thousands of dollars for "legislative purposes,"—in other words, buying laws at Albany.

ACQUISITION BY WRECKING

Vanderbilt considered it unnecessary to buy New York Central stock to get control. He had a much better and subtler plan. The Hudson River Railroad was at that time the only through road running from New York to Albany. To get its passengers and freight to New York City the New York Central had to make a transfer at Albany. Vanderbilt now deliberately began to wreck the New York Central. He sent out an order in 1865 to all Hudson River Railroad employees to refuse to connect with the New York Central and to take no more freight. This move could not do otherwise than seriously cripple the facilities and lower the profits of the New York Central. Consequently, the value of its stock was bound to go precipitately down.

The people of the United States were treated to an ironic sight. Here was a man who only eight years before had been shown up in Congress as an arch plunderer; a man who had bought his railroads largely with his looted millions; a man who, if the laws had been drafted and executed justly, would have been condoning his frauds in prison;—this man was contemptuously and openly defying the very people whose interests the railroads were supposed to serve. In this conflict between warring sets of capitalists, as in all similar conflicts, public convenience was made sport of. Hudson River trains going north no longer crossed the Hudson River to enter Albany; they stopped half a mile east of the bridge leading into that city. This made it impossible to transfer freight. There in the country the trains were arbitrarily stopped for the night; locomotive fires were banked and the passengers were left to shift into Albany the best they could, whether they walked or contrived to hire vehicles. All were turned out of the train—men, women and children—no exceptions were made for sex or infirmity.

The Legislature went through a pretense of investigating what public opinion regarded as a particularly atrocious outrage. Vanderbilt covered this committee with undisguised scorn; it provoked his wrath to be quizzed by a committee of a body many of whose members had accepted his bribes. When he was asked why he had so high-handedly refused to run his trains across the river, the old fox smiled grimly, and to their utter surprise, showed them an old law (which had hitherto remained a dead letter) prohibiting the New York Hudson Railroad from running trains over the Hudson River. This law had been enacted in response to the demand of the New York Central, which wanted no competitor west of Albany. When the Committee recovered its breath, its chairman timidly inquired of Vanderbilt why he did not run trains to the river.

"I was not there, gentlemen," said Vanderbilt.

"But what did you do when you heard of it?"

"I did not do anything."

"Why not? Where were you?"

"I was at home, gentlemen," replied Vanderbilt with serene impudence, "playing a rubber of whist, and I never allow anything to interfere with me when I am playing that game. It requires, as you know, undivided attention."

As Vanderbilt had foreseen, the stock of the New York Central went down abruptly; at its lowest point he bought in large quantities. His opponents, Edward Cunard, John Jacob Astor, John Steward and other owners of the New York Central thus saw the directorship pass from their hands. The dispossession they had worked to the Pruyns, the Martins, the Pages and others was now being visited upon them. They found in this old man of seventy-three too cunning and crafty a man to defeat. Rather than lose all, they preferred to choose him as their captain; his was the sort of ability which they could not overcome and to which they must attach themselves. On November 12, 1867, they surrendered wholly and unreservedly. Vanderbilt now installed his own subservient board of directors, and proceeded to put through a fresh program of plunder beside which all his previous schemes were comparatively insignificant.

Chapter V

THE VANDERBILT FORTUNE INCREASES MANIFOLD

VANDERBILT'S ambition was to become the richest man in America. With three railroads in his possession he now aggressively set out to grasp a fourth—the Erie Railroad. This was another of the railroads built largely with public money. The State of New York had contributed $3,000,000, and other valuable donations had been given.

At the very inception of the railroad corruption began.[1] The tradesmen, landowners and bankers who composed the company bribed the Legislature to relinquish the State's claim, and then looted the railroad with such consummate thoroughness that in order to avert its bankruptcy they were obliged to borrow funds from Daniel Drew. This man was an imposing financial personage in his day. Illiterate, unscrupulous, picturesque in his very iniquities, he had once been a drover, and had gone into the steamboat business with Vanderbilt. He had scraped in wealth partly from that line of traffic, and in part from a succession of buccaneering operations. His loan remaining unpaid, Drew indemnified himself by taking over, in 1857, by foreclosure, the control of the Erie Railroad.

For the next nine years Drew manipulated the stock at will, sending the price up or down as suited his gambling schemes. The railroad degenerated until travel upon it became a menace; one disaster followed another. Drew imperturbably continued his manipulation of the stock market, careless of the condition of the road. At no time was he put to the inconvenience of even being questioned by the public authorities. On the contrary, the more millions he made the greater grew his prestige and power, the higher his standing in the community. Ruling society, influenced solely by money standards, saluted him as a successful man who had his millions, and made no fastidious inquiries as to how he got them. He was a potent man; his villainies passed as great astuteness, his devious cunning as marvelous sagacity.

GOULD OVERREACHES VANDERBILT

Vanderbilt resolved to wrest the Erie Railroad out of Drew's hands. By secretly buying its stock he was in a position in 1866 to carry out his designs. He threw Drew and his directors out, but subsequently realizing Drew's usefulness, reinstated him upon condition that he be fully pliable to the Vanderbilt interests. Thereupon Drew brought in as fellow directors two young men, then obscure but of whom the world was to hear much—James Fisk, Jr., and Jay Gould. The narrative of how these three men formed a coalition against Vanderbilt; how they betrayed and then outgeneraled him at every turn; proved themselves of a superior cunning; sold him large quantities of spurious stock; excelled him in corruption; defrauded more than $50,000,000, and succeeded—Gould, at any rate—in keeping most of the plunder—this will be found in detail where it more properly belongs—in the chapter of the Gould fortune describing that part of Gould's career connected with the Erie Railroad.

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[1] Report of the New York and Erie Railroad Company, New York State Assembly Document No. 50, 1842.

Baffled in his frantic contest to keep hold of that railroad—a hold that he would have turned into many millions of dollars of immediate loot by fraudulently watering the stock, and then bribing the Legislature to legalize it as Gould did—Vanderbilt at once set in motion a fraudulent plan of his own by which he extorted about $44,000,000 in plunder, the greater portion of which went to swell his fortune.

The year 1868 proved a particularly busy one for Vanderbilt. He was engaged in a desperately devious struggle with Gould. In vain did his agents and lobbyists pour out stacks of money to buy legislative votes enough to defeat the bill legalizing Gould's fraudulent issue of stock. Members of the Legislature impassively took money from both parties. Gould personally appeared at Albany with a satchel containing $500,000 in greenbacks which were rapidly distributed. One Senator, as was disclosed by an investigating committee, accepted $75,000 from Vanderbilt and then $100,000 from Gould, kept both sums,—and voted with the dominant Gould forces. It was only by means of the numerous civil and criminal writs issued by Vanderbilt judges that the old man contrived to force Gould and his accomplices into paying for the stock fraudulently unloaded upon him. The best terms that he could get was an unsatisfactory settlement which still left him to bear a loss of about two millions. The veteran trickster had never before been overreached; all his life, except on one occasion,[2] he had been the successful sharper; but he was no match for the more agile and equally sly, corrupt and resourceful Gould. It took some time for Vanderbilt to realize this; and it was only after several costly experiences with Gould, that he could bring himself to admit that he could not hope to outdo Gould.

A NEW CONSOLIDATION PLANNED

However, Vanderbilt quickly and multitudinously recouped himself for the losses encountered in his Erie assault. Why not, he argued, combine the New York Central and the Hudson River companies into one

[2] In 1837 when he had advanced funds to a contractor carrying the mails between Washington and Richmond, and had taken security which proved to be worthless.

corporation, and on the strength of it issue a vast amount of additional stock?

The time was ripe for a new mortgage on the labor of that generation and of the generations to follow. Population was wondrously increasing, and with it trade. For years the New York Central had been paying a dividend of eight per cent. But this was only part of the profits. A law had been passed in 1850 authorizing the Legislature to step in whenever the dividends rose above ten per cent. on the railroad's actual cost, and to declare what should be done with the surplus. This law was nothing more or less than a blind to conciliate the people of the State, and let them believe that they would get some returns for the large outlay of public funds advanced to the New York Central. No returns ever came. Vanderbilt, and the different groups before him, in control of the road had easily evaded it, just as in every direction the whole capitalist class pushed aside law whenever law conflicted with its aims and interests. It was the propertyless only for whom the execution of law was intended. Profits from the New York Central were far more than eight per cent.; by perjury and frauds the directors retained sums that should have gone to the State. Every year they prepared a false account of their revenues and expenditures which they submitted to the State officials; they pretended that they annually spent millions of dollars in construction work on the road—work, in reality, never done.[3] The money was pocketed by them under this device—a device that has since become a favorite of many railroad and public utility corporations.

Unenforced as it was, this law was nevertheless an obstacle in the way of Vanderbilt's plans. Likewise was another, a statute prohibiting both the New York Central Railroad and the Hudson River Railroad from increasing their stock. To understand why this latter law was passed it is necessary to remember that the middle class—the factory owners, jobbers, retail tradesmen and employing farmers—were everywhere seeking by the power of law to prevent the too great development of corporations. These, they apprehended, and with reason, would ultimately engulf them and their fortunes and importance. They knew that each new output of watered stock meant either that the prevailing high freight rates would remain unchanged or would be increased; and while all the charges had to be borne finally by the working class, the middle class sought to have an unrestricted market on its own terms.

ALARM OF THE TRADING CLASSES

It was the opposition of the various groups of this class that Vanderbilt expected and provided against. He was fully aware that the moment he revealed his plan of consolidation boards of trade everywhere would rise in their wrath, denounce him, call together mass meetings, insist upon railroad competition and send pretentious, fire-breathing delegates to the State Capitol. Let them thunder, said Vanderbilt placidly. While they were exploding in eruptions of talk he would concentrate at Albany a mass of silent arguments in the form of money and get the necessary legislative votes, which was all he cared about.

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[3] See Report of New York Special Assembly Committee on Railroads, 1879, iv: 3,894.

Then ensued one of the many comedies familiar to observers of legislative proceedings. It was amusing to the sophisticated to see delegations indignantly betake themselves to Albany, submit voluminous briefs which legislators never read, and with immense gravity argue away for hours to committees which had already been bought. The era was that of the Tweed regime, when the public funds of New York City and State were being looted on a huge scale by the politicians in power, and far more so by the less vulgar but more crafty business classes who spurred Tweed and his confederates on to fresh schemes of spoliation.

Laws were sold at Albany to the highest bidder. "It was impossible," Tweed testified after his downfall, "to do anything there without paying for it; money had to be raised for the passing of bills." [4] Decades before this, legislators had been so thoroughly taught by the landowners and bankers how to exchange their votes for cash that now, not only at Albany and Washington, but everywhere in the United States, both legislative and administrative officials haggled in real astute business style for the highest price that they could get.

One noted lobbyist stated in 1868 that for a favorable report on a certain bill before the New York Senate, $5,000 apiece was paid to four members of the committee having it in charge. On the passage of the bill, a further $5,000 apiece with contingent expenses was added. In another instance, where but a solitary vote was needed to put a bill through, three Republicans put their figures up to $25,000 each; one of them was bought. About thirty Republicans and Democrats in the New York Legislature organized themselves into a clique (long styled the "Black Horse Cavalry"), under the leadership of an energetic lobbyist, with a mutual pledge to vote as directed.[5] "Any corporation, however extensive and comprehensive the privileges it asked"—to quote from "The History of Tammany Hall"—"and however much oppression it sought to impose upon the people in the line of unjust grants, extortionate rates or monopoly, could convince the Legislature of the righteousness of its request upon 'producing' the proper sum."

A LEGALIZED THEFT OF $44,000,000

One act after another was slipped through the Legislature by Vanderbilt in 1868 and 1869. On May 20, 1869, Vanderbilt secured, by one bill alone, the right to consolidate railroads, a free grant of franchises, and other rights worth hundreds of millions of dollars, and the right to water stock and bonds to an enormous extent.

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[4] Statement of William M. Tweed before a Special Investigating Committee of the New York Board of Aldermen. Documents of the Board of Aldermen, 1877, Part II. Document No. 8:15-16.

[5] Documents of the Board of Aldermen, 1877, Part II, No. 8:212-213.

The printing presses were worked overtime in issuing more than $44,000,000 of watered stock. The capital stock of the two roads was thus doubled. Pretending that the railroads embraced in the consolidation had a great surplus on hand, Vanderbilt, instead of distributing this alleged surplus, apportioned the watered stock among the stockholders as a premium. The story of the surplus was, of course, only a pretense. Each holder of a $100 share received a certificate for $180—that is to say, $80 in plunder for every $100 share that he held.[6] "Thus," reported the "Hepburn Committee" (the popular name for the New York State Assembly investigating committee of 1879), "as calculated by this expert, $53,507,060 were wrongfully added to the capital stock of these roads." Of this sum $44,000,000 was issued in 1869; the remainder in previous years. "The only answer made by the roads was that the legislature authorized it," the committee went on. "It is proper to remark that the people are quite as much indebted to the venality of the men elected to represent them in the Legislature as to the rapacity of the railroad managers for this state of affairs."[7]

Despite the fact that the report of the committee recorded that the transaction was piracy, the euphemistic wording of the committee's statement was characteristic of the reverence shown to the rich and influential, and the sparing of their feelings by the avoidance of harsh language. "Wrongfully added" would have been quickly changed into such inconsiderate terms as theft and robbery had the case been even a trivial one of some ordinary citizen lacking wealth and power. The facts would have immediately been presented to the proper officials for criminal prosecution.

But not a suggestion was forthcoming of haling Vanderbilt to the criminal bar; had it been made, nothing except a farce would have resulted, for the reason that the criminal machinery, while extraordinarily active in hurrying petty lawbreakers to prison, was a part of the political mechanism financed by the big criminals and subservient to them.

"The $44,000,000," says Simon Sterne, a noted lawyer who, as counsel for various commercial organizations, unravelled the whole matter before the "Hepburn Committee," in 1879, "represented no more labor than it took to print the script." It was notorious, he adds, "that the cost of the consolidated railroads was less than $44,000,000,"[8] In increasing the stock to $86,000,000, Vanderbilt and his confederates therefore stole the difference between the cost and the maximum of the stock issue. So great were the profits, both open and concealed, of the consolidated railroads that notwithstanding, as Charles Francis Adams computed, "$50,000 of absolute water had been poured out for each mile of road between New York and Buffalo," the market price of the stock at once shot up in 1869 from $75 a share to $120 and then to $200.

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[6] Report of Assembly Committee on Railroads, testimony of Alexander Robertson, an expert accountant, 1879, i:994-999.

[7] Ibid., i:21.

[8] "Life of Simon Sterne," by John Foord, 1903:179-181.

And what was Vanderbilt's share of the $44,000,000? His inveterate panegyrist, Croffut, in smoothly defending the transaction gives this illuminating depiction of the joyous event: "One night, at midnight, he (Cornelius Vanderbilt) carried away from the office of Horace F. Clark, his son-in-law, $6,000,000 in greenbacks as a part of his share of the profits, and he had $20,000,000 more in new stock."[9]

By this coup Vanderbilt about doubled his previous wealth. Scarcely had the mercantile interests recovered from their utter bewilderment at being routed than Vanderbilt, flushed with triumph, swept more railroads into his inventory of possessions.

His process of acquisition was now working with almost automatic ease.

First, as we have narrated, he extorted millions of dollars in blackmail. With these millions he bought, or rather manipulated into his control, one railroad after another, amid an onslaught of bribery and glaring violations of the laws. Each new million that he seized was an additional resource by which he could bribe and manipulate; progressively his power advanced; and it became ridiculously easier to get possession of more and more property. His very name became a terror to those of lesser capital, and the mere threat of pitting his enormous wealth against competitors whom he sought to destroy was generally a sufficient warrant for their surrender. After his consummation of the $44,000,000 theft in 1869 there was little withstanding of him. By the most favorable account—that of Croffut—his own allotment of the plunder amounted to $26,000,000. This sum, immense, and in fact of almost inconceivable power in that day, was enough of itself, independent of Vanderbilt's other wealth, to force through almost any plan involving a seizing of competing property.

HE SCOOPS UP MORE RAILROADS

Vanderbilt did not wait long. The ink on the $44,000,000 had barely dried, before he used part of the proceeds to buy a controlling interest in the Lake Shore Railroad, a competing line. Then rapidly, by the same methods, he took hold of the Canada Southern and Michigan Central.

The commercial interests looked on dumbfounded. Under their very eyes a process of centralization was going on, of which they but dimly, stupidly, grasped the purport. That competition which they had so long shouted for as the only sensible, true and moral system, and which they had sought to buttress by enacting law after law, was being irreverently ground to pieces.

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[9] "The Vanderbilts" :103. Croffut in a footnote tells this anecdote:

"When the Commodore's portrait first appeared on the bonds of the Central, a holder of some called one day and said: 'Commodore, glad to see your face on them bonds. It's worth ten per cent. It gives everybody confidence.' The Commodore smiled grimly, the only recognition he ever made of a compliment. ''Cause,' explained the visitor, 'when we see that fine, noble brow, it reminds us that you'll never let anybody else steal anything.'"

Out of their own ranks were rising men, trained in their own methods, who were amplifying and intensifying those methods to shatter the class from which they had sprung. The different grades of the propertied class, from the merchant with his fortune of $250,000 to the retail tradesman, felt very comfortable in being able to look down with a conscious superiority upon the working class from whom their money was wrung. Scoffing at equality, they delighted in setting themselves up as a class infinitely above the toilers of the shop and factory; let him who disputes this consult the phrases that went the rounds—phrases, some of which are still current—as, for instance, the preaching that the moderately well-to-do class is the solid, substantial element of any country.

Now when this mercantile class saw itself being far overtopped and outclassed in the only measurement to which it attached any value—that of property—by men with vast riches and power, it began to feel its relegation. Although its ideal was money, and although it set up the acquisition of wealth as the all-stimulating incentive and goal of human effort, it viewed sullenly and enviously the development of an established magnate class which could look haughtily and dictatorially down upon it even as it constantly looked down upon the working class. The factory owner and the shopkeeper had for decades commanded the passage of summary legislation by which they were enabled to fleece the worker and render him incapable of resistance. To keep the worker in subjection and in their power they considered a justifiable proceeding. But when they saw the railroad magnates applying those same methods to themselves, by first wiping out competition, and then by enforcing edicts regardless of their interests, they burst out in furious rage.

VANDERBILT AND HIS CRITICS

They denounced Vanderbilt as a bandit whose methods were a menace to the community. To the onlooker this campaign of virulent assault was extremely suggestive. If there was any one line of business in which fraud was not rampant, the many official reports and court proceedings of the time do not show it.

This widespread fraud was not occasional; it was persistent. In one of the earlier chapters, the prevalence, more than a century ago, of the practise of fraudulent substitution of drugs and foods was adverted to. In the middle of the nineteenth century it was far more extensive. In submitting, on June 2, 1848, a mass of expert evidence on the adulteration of drugs, to the House of Representatives, the House Select Committee on the Importation of Drugs pointed out:

> For a long series of years this base traffic has been constantly increasing, until it has become frightfully enormous. It would be presumed, from the

> immense quantities, and the great variety of inferior drugs that pass our custom houses, and particularly the custom-house at New York, in the course of a single year, that this country had become the great mart and receptacle of all of the refuse merchandise of that description, not only from the European warehouses, but from the whole Eastern market.[10]

In presenting a formidable array of expert testimony, and in giving a list of cases of persons having died from eating foods and drugs adulterated with poisonous substances, the House Committee on Epidemic Diseases, of the Forty-Sixth Congress, reported on February 4, 1881:

> That they have investigated, as far as they could . . . the injurious and poisonous compounds used in the preparation of food substances, and in the manufacture of wearing apparel and other articles, and find from the evidence submitted to them that the adulteration of articles used in the every day diet of vast numbers of people has grown, and is now practised, to such an extent as to seriously endanger the public health, and to call loudly for some sort of legislative correction. Drugs, liquors, articles of clothing, wall paper and many other things are subjected to the same dangerous process.[11]

The House Committee on Commerce, reporting the next year, on March 4, 1882, stated that "the evidence regarding the adulterations of food indicates that they are largely of the nature of frauds upon the consumer . . . and injure both the health and morals of the people." The committee declared that the practice of fraudulent substitutions "had become universal." [12]

These few significant extracts, from a mass of official reports, show that the commercial frauds were continuous, and began long before Commodore Vanderbilt's time, and have prevailed up to the present.

Everywhere was fraud; even the little storekeepers, with their smug pretensions to homely honesty, were profiting by some of the vilest, basest forms of fraud, such as robbing the poor by the light-weight and short-weight trick,[13] of (far worse) by selling skim milk, or poisonous

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[10] Reports of Committees, First Session, Thirtieth Congress, 1847-48, Vol. iii, Report No. 664:3—The committee reported that opium was adulterated with licorice paste and bitter vegetable extract; calomel, with chalk and sulphate of barytes; quinine, with silicine, chalk and sulphate of barytes; castor, with dried blood, gum and ammonia; gum asafœtida with inferior gums, chalk and clay, etc., etc. (pp. 10 and 11).

[11] House Reports, Third Session, Forty-sixth Congress, 1880-81, Vol. i, Report No. 199:1. The committee drafted a bill for the prevention of these frauds; the capitalists concerned smothered it.

[12] House Reports, First Session, Forty-Seventh Congress, 1881-82, Vol. ii, Report No. 634:1-5.

[13] These forms of cheating were widespread.

Thirty years ago it was estimated that manufacturers and shopkeepers cheated the people of the United States out of $200,000,000 a year by the light-weight and short-weight frauds. In 1907 the New York State Sealer of Weights and Measures asserted that, in that State alone, $20,000,000 was robbed from the consumers annually by these methods. Investigations by the Bureau of Standards of the United States Department of Commerce and Labor show that immense numbers of "crooked" scales were in use. It was conclusively established by the investigations of drugs or adulterated food or shoddy material. These practices were so prevalent, that the exceptions were rarities indeed.

If any administration had dared seriously to stop these forms of theft the trading classes would have resisted and struck back in political action. Yet these were the men—these traders—who vociferously came forth with their homiletic tirades against Vanderbilt's criminal transactions, demanding that the power of him and his kind be curbed.

It was not at all singular that they put their protests on moral grounds. In a form of society where each man is compelled to fight every other man in a wild, demoralizing struggle for self-preservation, self-interest naturally usurps the supreme functions, and this self-interest becomes transposed, by a comprehensible process, into moralities. That which is profitable is perverted into a moral code; the laws passed, the customs introduced and persisted in, and the weight of the dominant classes all conspire to put the stamp of morality on practices arising from the lowest and most sordid aims. Thus did the trading class make a moral profession of its methods of exploitation; it congratulated and sanctified itself on its purity of life and its saving stability.

From this class—a class interpenetrated in every direction with commercial frauds—was largely empanelled the men who sat on those grand juries and petit juries solemnly passing verdict on the poor wretches of criminals whom environment or poverty had driven into crime. They were the arbiters of justice, but it was a justice that was never allowed to act against themselves. Examine all the penal codes of the period; note the laws proscribing long sentences in prison for thefts of property; the larceny of even a suit of clothes was severely punishable, and begging for alms was a misdemeanor. Then contrast these asperities of law with the entire absence of adequate protection for the buyer of merchandise. Following the old dictum of Roman jurisprudence, "Let the buyer beware," the factory owner could at will oppress his workers, and compel them, for the scantiest wages, to make for his profit goods unfit for consumption. These articles the retailer sold without scruple over his counter; when the buyer was cheated or overcharged, as happened with great frequency, he had practically no redress in law. If the merchant

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Federal, State and municipal inspectors of weights and measures that there was hardly an article put up in bottled or canned form that was not short of the weight for which it was sold, nor was there scarcely a retail dealer who did not swindle his customers by the light-weight fraud. There were manufacturers who made a specific business of turning out fraudulent scales, and who freely advertised the cheating merits of these scales.

Recent publications of the Bureau of Standards, however, indicate a considerable improvement. This has been brought about partly by legislation and stricter supervision, partly by the co-operation of the Federal Trade Commission in stopping unfair practices, and partly by the policing of industries by the various trade associations. At the National Conference on Weights and Measures, in 1930, a Philadelphia supervisor speaking on the subject of fraudulent practices declared: "Before the advent of the modern scale 80 per cent of the weights were incorrect . . . It is with the small dealer that we have the worst trouble." Miscellaneous Publications, Bureau of Standards, No. 116, 1930.

were robbed of even ever so little he could retaliate by sending the guilty one to prison. But the merchant himself could invidiously and continuously rob the customer without fear of any law. All of this was converted into a code of moralities; and any bold spirit who exposed its cant and sham was denounced as an agitator and as an enemy of law and order.[14]

Vanderbilt did better than expose it; he improved upon, and enlarged, it and made it a thing of magnitude; he and others of his quality discarded petty larceny and ascended into a sphere of superlative grand larceny. They knew with a cynical perception that society, with all its pompous pretensions to morality, had evolved a rule which worked with almost mathematical certainty. This rule was the paradoxical, but nevertheless true, one that the greater the theft the less corresponding danger there was of punishment.

THE WISDOM OF GRAND LARCENY

Now it was that one could see with greater clearness than ever before, how the mercenary ideal of the ruling class was working out to its inevitable conclusion. Society had made money its god and property its yardstick; even in its administration of justice, theoretically supposed to be equal, it had made "justice" an expensive luxury available, in actual practice, to the rich only. The defrauder of large sums could, if prosecuted, use a part of that plunder, easily engage a corps of shrewd, experienced lawyers, get evidence manufactured, fight out the case on technicalities, drag it along for years, call in political and social influence, and almost invariably escape in the end.

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[14] But a decided change in the legislative and juridical attitude came in the first decades of the twentieth century. Various acts were passed by Congress penalizing the deceiving of buyers. The Federal Food and Drugs Act of 1906, made more stringent by amendments in 1912, 1913 and 1919, was one of these measures. It required that all foods must be pure and wholesome, and not labelled or sold in any deceptive way. Under that law many of the old types of fraud have been eliminated, but ever more ingenious and subtle forms of adulteration have often been detected. There have been upward of 20,000 prosecutions under that law; for instance, in the years of 1934 and 1935 there were reported 817 criminal and 4284 civil complaints. (Annual Reports, U. S. Attorney General, 1934 and 1935: 74 and 65.)

In existing law, however, there was a loophole, or "joker" so worded that proceedings could be brought against falsely labeled patent medicines only upon evidence that the manufacturer knew his labels to be false. There still remained false advertising and deceptive labeling of certain kinds of food, drugs, and above all of cosmetics the sale of which had grown to enormous proportions. In 1935 the United States Senate passed a bill which eliminated the "joker," and which was designed to protect the consumer from various newer kinds of fraud which had developed. The bill failed to pass in the House in 1936, because of the sole reason that it vested authority in the Department of Agriculture instead of in the Federal Trade Commission, as desired by the House.

To protect purchasers of stocks and bonds from fraud, almost all of the forty-eight States, from 1911 to 1928, passed what were colloquially known as Blue Sky Laws. This term referred to the practice of promoters making such extravagant statements that only the sky was the limit to their claims. Promoters, in 1914, sought to have such laws declared unconstitutional, but in 1917, the Supreme Court of the United States upheld them on the ground that "the prevention of deception is within the competency of Government." However, ways and means were found by promoters, investment bankers and others to defraud the public on a wholesale scale; the U. S. Senate Committee on Banking and Currency in 1933, estimated that in ten years, by the sale of worthless securities, the American public had been swindled out of $25,000,000,000. The disclosures brought out by this committee were followed, in 1933 and 1934, by the passage of the Securities and Exchange Acts, providing for Federal supervision over security issues.

But beyond this power of money to make a mockery of justice was a still greater, though more subtle, factor, which was ever an invaluable aid to the great thief. Every section of the trading class was permeated with a profound admiration, often tangibly expressed, for the craft that got away with an impressive pile of loot. The contempt felt for the pickpocket was the antithesis of the general mercantile admiring view of the man who stole in grand style, especially when he was one of their own class. In speaking of the piratical operations of this or that magnate, it was common to hear many business men interject, even while denouncing him, "Well, I wish I were as smart as he." These same men, when serving on juries, were harsh in their verdicts on poor criminals, and unctuously flattered themselves with being, and were represented as, the upholders and conservers of law and moral conduct.

Departing from the main facts as this philosophical digression may seem, it is essential for a number of reasons. One of these is the continual necessity for keeping in mind a clear, balanced perspective. Another lies in the need of presenting aright the conditions in which Vanderbilt and magnates of his type were produced. Their methods at basis were not a growth independent of those of the business world and isolated from them. They were simply a development, and not merely one of standards as applied to morals, but of the mechanism of the social and industrial organization itself. Finally it is advisable to give flashlight glimpses into the modes and views of the time, inasmuch as it was in Vanderbilt's day that the great struggle between the old principle of competition, as upheld by the small capitalists, and the superseding one of consolidation, as incarnated in him and others, took on vigorous headway.

HE CONTINUES THE BUYING OF LAWS

Protest as it did against Vanderbilt's merging of railroads, the middle class found itself quite helpless. In rapid succession he put through one combination after another, and caused theft after theft to be legalized, utterly disdainful of criticism or opposition. In State after State he bought the repeal of old laws, or the passage of new laws, until he was vested with authority to connect various railroads that he had secured between Buffalo and Chicago, into one line with nearly 1,300 miles of road. The commercial classes were scared at the sight of such a great stretch of railroad—then considered an immense line—in the hands of one man, audacious, all-conquering, with power to enforce tribute at will. Again, Vanderbilt patronized the printing presses, and many more millions of stock, all fictitious capital, were added to the already flooded capital of the Lake Shore and Michigan Southern Railroad Company. Of the total of $62,000,000 of capital stock in 1871, fully one-half was based upon nothing but the certainty of making it valuable as a dividend payer by the exaction of high freight and passenger rates. A little later, the amount was run up to $73,000,000, and this was increased subsequently.

Vanderbilt now had a complete railroad system from New York to Chicago, with extensive offshoots. It is at this point that we have to deal with a singular commendation of his methods thrust forward glibly from that day to this. True, his eulogists admitted then, as they admit now, Vanderbilt was not overscrupulous in getting property that he wanted. But consider, they urge, the improvements he brought about on the railroads that came into his possession; the renovation of the roadbed, the institution of new locomotives and cars, the tearing down of the old, worn-out stations. This has been the praise showered upon him and his methods.

Inquiry, however, reveals that this appealing picture, like all others of its sort, has been ingeniously distorted. The fact was, in the first place, that these improvements were not made out of regard to public convenience, but for two radically different reasons. The first consideration was that if the dividends were to be paid on the huge amount of fabricated stock, the road, of necessity, had to be put into a condition of fair efficiency to meet or surpass the competing facilities of other railroads running to Chicago. Second, the number of damage claims for accident or loss of life arising largely from improper appliances and insufficient safeguards, was so great that it was held cheaper in the long run to spend millions for improvements.

PUBLIC FUNDS FOR PRIVATE USE

Instead of paying for these improvements with even a few millions of the proceeds of the watered stock, Vanderbilt (and all other railroad magnates in like cases did the same) forced the public treasury to defray a large part of the cost. A good illustration of his methods was his improvement of his passenger terminus in New York City. The entrance of the New York Central and the Harlem Railroads is by way of Park (formerly Fourth) avenue. This franchise, as we have seen, was obtained by bribery in 1832. But it was a qualified franchise. It reserved certain nominal restrictions in behalf of the people by inserting the right of the city to order the removal of the tracks at any time that they became an obstruction. These terms were objectionable to Vanderbilt; a perpetual franchise could be capitalized for far more than a limited or qualified one. A perpetual franchise was what he wanted.

The opportunity came in 1872. From the building of the railroad, the tracks had been on the surface of Fourth avenue. Dozens of dangerous crossings had resulted in much injury to life and many deaths. The public demand that the tracks be depressed below the level of the street had been resisted.

Instead of longer ignoring this demand, Vanderbilt now planned to make use of it; he saw how he could utilize it not only to foist a great part of the expense upon the city, but to get a perpetual franchise. Thus, upon the strength of the popular cry for reform, he would extort advantages calculated to save him millions and at the same time extend his privileges. It was but another illustration of the principle in capitalist society to which we have referred before (and which there will be copious occasion to mention again and again) that after energetically contesting even those petty reforms for which the people have contended, the ruling classes have ever deftly turned about when they could no longer withstand the popular demands, and have made those very reforms the basis for more spoliation and for a further intrenchment of their power.[15]

The first step was to get the New York Common Council to pass, with an assumption of indignation, an ordinance requiring Vanderbilt to make the desired improvements, and committing the city to bear one-half the expense and giving him a perpetual franchise. This was in Tweed's time when the Common Council was composed largely of the most corrupt ward heelers, and when Tweed's puppet, Hall, was Mayor. Public opposition to this grab was so great as to frighten the politicians; at any rate, whatever his reasons, Mayor Hall vetoed the ordinance.

However, from the Tweed controlled Legislature, Vanderbilt, in 1869, obtained the first requisite legislation. Chapter 919 of the laws of that year authorized the practical seizure of both city and private property on Forty-second street and northward to Forty-Fifth street, to enable the New York and Harlem Railroad Company to construct a new passenger station. New York City was ordered to close portions of Fourth Avenue and of Forty-third and Forty-fourth streets, and turn the entire area over to the company for its exclusive use. There was a provision in the act for compensation, but whether any was ever paid to the city, or if so what the amount was, cannot be ascertained from any public records at least. The Controller's records and many other reports covering those years have long been missing. The act of 1869 also compelled the city at public expense to create for the benefit of the company a street on the west side of the station, and additionally authorized the company to lay down curves, switches and turnouts contiguous to the station.

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[15] But while thus taking advantage of the public demand for the removal of the Fourth avenue perilous conditions, Commodore Vanderbilt insisted upon retaining railroad surface tracks on Eleventh avenue, long called "Death Avenue" from the number killed by trains on that thoroughfare. A Senate committee, in 1866, had reported: "The traction of freight and passenger trains by ordinary locomotives on the surface of the streets is an evil which has already endured too long and must speedily be abated." Successive generations of Vanderbilts remained deaf to the public outcry against the conditions on "Death Avenue," and it was not until sixty years after the Senate committee report that steps were taken to eradicate the evil.

The stimulus to this action came in 1926 when a $300,000,000 State bond issue for the elimination of railroad grade crossings became available. As there were 105 grade crossings along and up the Eleventh avenue route, the idea occurred to some astute minds that here was an opportunity of effecting an improvement to be paid for partly out of public funds—an improvement that whatever the expense to the railroad company, would be to it an asset of enormous value. An engineering company appointed by the Mayor to develop a plan submitted its report in May, 1927. An agreement between City and State Boards and railroad company was made on July 2, 1929. The estimated cost of the whole plan of effacing New York Central and Hudson River Railroad grade crossings and building viaduct and subway and making other changes from near Canal street to Spuyten Duyvil was, at the time, put at $175,000,000, the railway to pay $110,000,000, the City of New York $50,000,000 and the State of New York $15,000,000. The first stage of the improvement—a viaduct from the new terminal at Spring and Washington streets to Thirtieth street, was completed and dedicated in June, 1934, and much progress has been made on the remaining sections northward, comprising a subway or cut to Sixtieth street, and the covering by the city of the tracks through Riverside Park.

The operation of the tracks on the surface of Fourth avenue had so depreciated the value of real estate along that thoroughfare that it could be bought for trifling sums. Just before Vanderbilt caused another act of sweeping powers to be enacted in 1872, the New York Central Railroad Company bought much real estate property on both sides of Fourth avenue.

The Legislature of 1872 was elected in 1871, following the revelations of the Tweed "ring" frauds. It was regarded as a "model reform body." As has already been remarked in this work, the pseudo "reform" officials or bodies elected by the American people in the vain hope of overthrowing corruption, will often go to greater lengths in the disposition of the people's rights and interests than the most hardened politicians, because they are not suspected of being corrupt, and their measures have the appearance of being enacted for the public good. The Tweed clique had been broken up, but the capitalists who had assiduously bribed its members and profited so hugely from its political acts, were untouched and in greater power than ever before. The source of all this corruption had not been struck at in the slightest. Tweed, the politician, was sacrificed and went to prison and died there; the capitalists who had corrupted representative bodies everywhere in the United States, before and during his time, were safe and respected, and in a position to continue their work of corruption. Tweed made the classic, unforgivable blunder of going into politics as a business, instead of into commercialism. The very capitalists who had profited so greatly by his corruption were the first to express horror at his acts.

From the "reform" Legislature of 1872 Vanderbilt secured all that he sought. The act was so dexterously worded that while not nominally giving a perpetual franchise, it practically revoked the qualified parts of the charter of 1832. It also compassionately relieved him of the necessity of having to pay out about $4,000,000, in replacing the dangerous roadway by the construction of a tunnel, by imposing that cost upon New York City.

New York City was then in bad financial condition after its looting by the Tweed regime. William F. Havemeyer, who became Mayor after the overthrow of that regime, protested against saddling the expense upon the city. In his message to the Board of Aldermen, in January, 1874, he said: "The question as to the power of the Legislature to take from the pockets of the citizens of New York $1,500,000 annually, to hand over to a railroad corporation to be used for personal profit, as they have done by the aid which the city is compelled to give to the New York Central and Harlem Railroad companies in sinking the track and abating a public nuisance . . . ought, I think, to be tested. Issues should be joined by the city on every such scheme which receives the sanction of the Legislature and has for its purpose the application of public moneys to secure private interest and the aggrandizement of private property." New York City did begin litigation, but later discontinued it. Once the Fourth avenue improvements were made, Vanderbilt bonded them as though they had been made wholly with private money.

Also, after those improvements, the value of the real estate property which the New York Central Railroad Company had bought on both sides of Fourth avenue rose. It cumulatively increased after later and more modern improvements were made on that thoroughfare, now became, as we have said, Park avenue. The company held on to areas of Park avenue land from Forty-second to Fifty-first streets. This was the land that, about twenty years ago, through a real estate subsidiary, it leased for the erection of great apartments for the rich.

"REFORM" AS IT WORKS OUT

But the foregoing were not Vanderbilt's only gifts from the "reform" Legislature of 1872. The Harlem Railroad owned, as we have seen, the Fourth avenue surface line of horse cars. Although until this time it extended to Seventy-ninth street only, this line was then the second most profitable in New York City. In 1864, for instance, it carried nearly six million passengers, and its gross earnings were $735,000. It did not pay, nor was required to pay, a single cent in taxation. By 1872 the city's population had grown to 950,000. Vanderbilt concluded that the time was fruitful to gather in a few more miles of the public streets.

The Legislature was acquiescent. Chapter 325 of the Laws of 1872 allowed him to extend the line from Seventy-ninth street to as far north as Madison avenue should thereafter be opened. "But see," said the Legislature in effect, "how mindful of the public interests we have been. We have imposed a tax of five per cent, on all gross receipts above Seventy-ninth street." When, however, the time came to collect, Vanderbilt innocently pretended that he had no means of knowing whether the fares were taken in on that section of the line, free of taxation, below Seventy-ninth street, or on the taxed portion above it. Behind that fraudulent subterfuge the city officials were not inclined to go. As a consequence the only revenue that the city long received from that line was a meager few thousand dollars a year.

At the very time that he was watering stock, sliding through legislatures corrupt grants of perpetual franchises, and swindling cities and States out of huge sums in taxes,[16] Vanderbilt was forcing the drivers and conductors on the Fourth avenue surface line to work an average of fifteen hours out of twenty-four, and reducing their daily wages from $2.25 to $2.

Vanderbilt made the pretense that it was necessary to economize; and, as was the invariable rule of the capitalists, the entire burden of the economizing process was thrown upon the already overloaded workers. This subtraction of twenty-five cents a day entailed upon the drivers and conductors and their families many severe deprivations; working for such low wages every cent obviously counted in the management of household affairs. But the methods of the capitalist class in deliberately pyramiding its profits upon the sufferings of the working class were evidenced in this case (as they had been, and since have been, in countless other instances) by the announcement in the Wall street reports that this reduction in wages was followed by an instant rise in the price of the stock of the Fourth avenue surface line. The lower the wages, the greater the dividends.

The further history of the Fourth avenue surface line cannot here be pursued in detail. Suffice to say that the Vanderbilts, in 1894, leased this line for 999 years to the Metropolitan Street Railway Company. This company, as we shall see, represented a series of lootings. Later the Fourth avenue surface line became part of the New York Railways Company in the bonds of which lay the interest of the New York and Harlem Railroad Company. But street railway lines had become obsolete and unprofitable. The Fourth avenue line was abandoned, and in lieu of its old franchise, a twenty-five year franchise for the operation of buses was granted in December, 1933, to the Madison Avenue Coach Company which was required to pay to the city three per cent. of its gross receipts on the entire route.

It is not necessary to enter into a narrative of all the laws that Vanderbilt bribed Legislature after Legislature, and Common Council after Common Council, into passing—laws giving him for nothing immensely valuable grants of land, shore rights and rights to land under water, more authorizations to make further consolidations and to issue more watered stock. Nor is it necessary to deal with the numerous bills he considered adverse to his interests, that he caused to be smothered in legislative committees by bribery.

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[16] Not alone he. In a tabulated report made public on February 1, 1872, the New York Council of Political Reform charged that in the single item of surface railways, New York City for a long period had been swindled annually out of at least a million dollars. This was an underestimate.

VANDERBILT'S CHIEF OF STAFF

His chief instrument during all those years was a general utility lawyer, Chauncey M. Depew, whose specialty was to impress the public by grandiloquent exhibitions of mellifluent spread-eagle oratory, while bringing the "proper arguments" to bear upon legislators and other public officials.[17] Every one who could in any way be used, or whose influence required subsidizing, was, in the phrase of the day, "taken care of." Great sums of money were distributed outright in bribes in the legislatures by lobbyists in Vanderbilt's pay. Supplementing this, an even more insidious system of bribery was carried on. Free passes for railroad travel were lavishly distributed; no politician was ever refused; newspaper and magazine editors, writers and reporters were always supplied with free transportation for the asking, thus insuring to a great measure their good will, and putting them under obligations not to criticise or expose plundering schemes or individuals. All railroad companies used this form, as well as other forms, of bribery.

It was mainly by means of the free pass system (which was not abolished by Congressional legislation until 1906) that Depew, acting for the Vanderbilts, secured not only a general immunity from newspaper criticism, but continued to have himself and them portrayed in luridly favorable lights. Depending upon the newspapers for its sources of information, the public was constantly deceived and blinded, either by the suppression of certain news, or by its being tampered with and grossly colored. This Depew continued as the representative of the Vanderbilt family for nearly half a century. Astonishing as it may seem, he managed to pass among the uninformed as a notable man; he was continuously eulogized; at one time he was boomed for the nomination for President of the United States, and in 1905 when the Vanderbilt family decided to have a direct representative in the United States Senate, they ordered the New York State Legislature, which they practically owned, to elect him to that body. It was while he was a United States Senator that the investigations, in 1905, of a committee of the New York Legislature into the affairs of certain life insurance companies revealed that Depew had long since been an advisory party to the financial maraudings carried on by Hyde, the founder and head of the Equitable Life Assurance Society.

The career of Depew is of no interest to posterity,[18] excepting in so far as it shows anew how the magnates were able to use intermediaries to do their underground work for them, and to put those intermediaries into the highest official positions in the country. This fact alone was responsible for their elevation to such bodies as the United States Senate, the President's Cabinet and the courts. Their long service as lobbyists or as retainers was the surest passport to high political or judicial position; their express duty was to vote or decide as their masters' interest bid them. So it was that men who put their cunning or brains at the complete disposal of the magnates, filled Congress and the courts. These were, to a large extent, the officials by whose votes or decisions all measures of value to the working class were defeated; and reversely, by whose actions all or nearly all bills demanded by the money interests, were passed and sustained.

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[17] Roscoe Conkling, a noted Republican politician, said of him: "Chauncey Depew? Oh, you mean the man that Vanderbilt sends to Albany every winter to say 'haw' and 'gee' to his cattle up there."

[18] Certain facts may be, however. When he died at the age of 94 in 1928, he was widely eulogized by a list of financial and political notables as a man whose geniality of disposition and nobility of character had been an inspiration to his fellow citizens. Newspaper biographies said that he had attained his two ambitions, one that of becoming president of the New York Central Lines, and the other that of election to the United States Senate. The net value of his estate was appraised, in 1930, at $15,954,249. He owned more than $500,000 of shares and bonds in New

After having bribed legislatures to legalize his enormous issue of watered stock, what was Vanderbilt's next move? The usual fraudulent one of securing exemption from taxation. He and other railroad owners sneaked through law after law by which many of their issues of stock were made non-taxable.

So now old shaggy Vanderbilt loomed up the richest magnate in the United States. His ambition was consummated; what mattered it to him that his fortune was begot in blackmail and extortion, bribery and theft? Now that he had his hundred millions he had the means to demand adulation and the semblance of respect, if not respect itself. The commercial world admired, even while it opposed him; in his methods it saw at bottom the abler application and extension of its own, and while it felt aggrieved at its own declining importance and power, it rendered homage in the awed, reverential manner in which it viewed his huge fortune.

Over and over again, even to the point of wearisome repetition, must it be shown, both for the sake of true historical understanding and in justice to the founders of the great fortunes, that all mercantile society was permeated with fraud and subsisted by fraud. But the prevalence of this fraud did not argue its practitioners to be inherently evil. They were victims of a system inexorably certain to arouse despicable qualities. The memorable difference between the two classes was that the workers, as the sufferers, were keenly alive to the abominations of the system, while the capitalists not only insisted upon the right to benefit from its continuance, but harshly sought to repress every attempt of the workers to agitate for its modification or overthrow.

REPRESSION BY STARVATION

These repressive tactics took on a variety of forms, some of which are not ordinarily included in the definitions of repression.

The usual method was that of subsidizing press and pulpit in certain subtle ways. By these means facts were concealed or distorted, a pre-

York Central Lines, and was a stockholder in a host of other corporations, including the Pullman Company.

judicial state of public opinion created, and plausible grounds given for hostile interference by the State. But a far more powerful engine of repression was the coercion exercised by employers in forcing their workers to remain submissive on instant peril of losing their jobs. While, at that time, manufacturers, jobbers and shopkeepers throughout the country were rising in angry protest against the accumulation of plundering power in the hands of such men as Vanderbilt, Gould and Huntington, they were themselves exploiting and bribing on a widespread scale. Their great pose was that of a thorough commercial respectability; it was in this garb that they piously went to legislatures and demanded investigations into the rascally methods of the railroad magnates. The facts, said they, should be made public, so as to base on them appropriate legislation which would curtail the power of such autocrats. Contrasted with the baseness and hypocrisy of the trading class, Vanderbilt's qualities of brutal candor and selfishness shone as brilliant virtues.[19]

These same manufacturers objected in the most indignant manner, as they similarly do now, to any legislative investigations of their own methods. Eager to have the practices of Vanderbilt and Gould probed into, they were acrimoniously opposed to even criticism of their factory system. For this extreme sensitiveness there was the amplest reason. The cruelties of the factory system transcended belief. In, for instance, the State of Massachusetts, vaunting itself for its progressiveness, enlightenment and culture, the textile factories were a horror beyond description. The Convention of the Boston Eight Hour League, in 1872, did not over-state when it declared of the factory system that "it employs tens of thousands of women and children eleven and twelve hours a day; owns or controls in its own selfish interest the pulpit and the press; prevents the operative classes from making themselves felt in behalf of less hours, through remorseless exercise of the power of discharge; and is rearing a population of children and youth of sickly appearance and scanty or utterly neglected schooling."

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[19] No observation could be truer. As a class, the manufacturers were flourishing on stolen inventions. There might be exceptions, but they were very rare. Year after year, decade after decade, the reports of the various Commissioners of Patents pointed out the indiscriminate theft of inventions by the capitalists. In previous chapters we have referred to the plundering of Whitney and Goodyear. But they were only two of a vast number of inventors similarly defrauded.

In speaking of the helplessness of inventors, J. Holt, Commissioner of Patents, wrote in his Annual Report for 1857: "The insolence and unscrupulousness of capital, subsidizing and leading on its minions in the work of pirating some valuable invention held by powerless hands, can scarcely be conceived by those not familiar with the records of such cases as I have referred to. Inventors, however gifted in other respects, are known to be confiding and thriftless; and being generally without wealth, and always without knowledge of the chicaneries of law, they too often prove but children in those rude conflicts which they are called on to endure with the stalwart fraud and cunning of the world." (U. S. Senate Documents, First Session, Thirty-fifth Congress, 1857-58, viii:9-10). In his Annual Report for 1858, Commissioner Holt described how inventors were at the mercy of professional perjurers whom the capitalists hired to give evidence.

The bribing of Patent office officials was a common occurrence. "The attention of Congress," reported Commissioner of Patents Charles Mason in 1854, "is invited to the importance of providing some adequate means of preventing attempts to obtain patents by improper means." Several cases of "attempted bribery" had occurred within the year, stated Commissioner Mason. (Executive Documents, First Session, Thirty-third Congress, 1853-54, Vol. vii, Part I:19-20.) Every successive Commissioner of Patents called upon Congress to pass laws for the prevention of fraud, and for the better protection of the inventor, but Congress, influenced by the manufacturers, was long deaf to these appeals.

As the factory system was in Massachusetts, so it was elsewhere. Any employee venturing to agitate for better conditions was instantly discharged; spies were at all times busy among the workers; and if a labor union were formed, the factory owners would obtain sneak emissaries into it, with orders to report on every move and disrupt the union if possible. The factory capitalists in Massachusetts, New York, Illinois and every other manufacturing State were determined to keep up their system unchanged, because it was profitable to work children eleven and a half hours a day in a temperature that in summer often reached 108 degrees and in an atmosphere certain to breed immorality; [20] it was profitable to compel adult men and women having families to work for an average of ninety cents a day; it was profitable to avoid spending money in equipping factories with life-saving apparatus. Hence these factory owners, forming the aristocracy of trade, savagely fought every move or law that might expose or alter those conditions; the annals of legislative proceedings are full of evidences of bribery.

Having no illusions, and being a severely practical man, Vanderbilt well knew the pretensions of this trading class; with many a cynical remark, aptly epitomizing the point, he often made sport of their assumptions. He knew (and none knew better) that they had dived deep in bribery and fraud; they were the fine gentlemen, he well recalled, who had generally obtained patents by fraud; who had so often bribed members of Congress to vote for a high tariff; the same, too, who had bribed legislatures for charters, water rights, exemptions from taxation, the right to work employees as long as, and under whatever conditions, they wanted to. This manufacturing aristocracy professed to look down upon Vanderbilt socially as a coarse sharper; and in New York a certain ruling social element, the native aristocracy, composed of old families whose wealth, originating in fraud, had become respectable by age, took no pains to conceal their opinion of him as a parvenu, and drew about their sacred persons an amusing circle of exclusiveness into the rare precincts of which he might not enter.

Vanderbilt now proceeded to buy social and religious grace as he had bought laws. The purchase of absolution has ever been a convenient and cheap method of obtaining society's condonation of theft. In medieval centuries it took a religious form; it has become transposed to a social traffic in these superior days. Let a man steal in colossal ways and then surrender a small part of it in charitable, religious and educational donations; he at once ceases being a thief and straightway becomes a noble benefactor. Vanderbilt now shed his life-long irreverence, and gave to Deems, a minister of the Presbyterian Church, as a gift, the Church of the Strangers on Mercer street, and he donated $1,000,000 for the founding of the Vanderbilt University at Nashville, Tenn. The press, the church and the educational world thereupon hailed him as a marvel of saintly charity and liberality.

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[20] "Certain to breed immorality." See report of Carrol D. Wright, Massachusetts Bureau of Statistics of Labor, 1881. A cotton mill operative testified: "Young girls from fourteen and upward learn more wickedness in one year than they would in five out of a mill." See also the numerous recent reports of the National Child Labor Committee.

THE SERMONIZING OF THE "BEST CLASSES"

One section of the social organization declined to accept the views of the class above it. This was the working class. Superimposed upon the working class, draining the life blood of the workers to provide them with wealth, luxuries and power, were those upper strata of society known as the "best classes." These "best classes," with a monstrous presumption, airily proclaimed their superiority and incessantly harped upon the need of elevating and regenerating the masses.

And who, it may be curiously asked, were the classes self destined or self selected to do this regenerating? The commercial and financial element, with its peculiar morals so adjusted to its interests, that it saw nothing wrong in the conditions by which it reaped its wealth—conditions that made slaves of the workers, threw them into degradation and poverty, and made the industrial field an immense concourse of tears, agony and carnage. Hanging on to this supreme class of wealth, fawning to it, licking its very feet, were the parasites and advocates of the press, law, politics, the pulpit, and, with a few exceptions, of the professional occupations. These were the instructors who were to teach the working class what morals were; these were the eminences under whose guidance the working class was to be uplifted!

Let us turn from this sickening picture of sordid arrogance and ignorance so historically true of all aristocracies based upon money, from the remotest time to this present day, and contemplate how the organized part of the working class regarded the morals of its "superiors."

While the commercial class, on the one hand, was determined on beating down the working class at every point, it was, on the other, unceasingly warring among itself. In business dealings there was no such recognized thing as friendship. To get the better of the other was held the quintessence of mercantile shrewdness. A flint-hard, brute spirit enveloped all business transactions. The business man who lost his fortune was generally looked upon without emotion or pity, and condemned as an incapable. For self interest, business men began to combine in corporations, but these were based purely upon mercenary aims. Not a microscopic trace was visible of that spirit of fellow kindness, sympathy, collective concern and brotherhood already far developed among the organized part of the working class.

As the supereminent magnate of his day, Vanderbilt was invested with extraordinary publicity; he was extensively interviewed and quoted; his wars upon rival capitalists were matters of engrossing public concern; his slightest illness was breathlessly followed by commercialdom and its outcome awaited. Hosts of men, women and children perished every year of disease contracted in factories, mines and slums; but Vanderbilt's least ailment was given a transcending importance, while the scourging sweep of death among the lowly and helpless was utterly ignored.

Precisely as mercantile society bestowed no attention upon the crushed and slain, except to advance roughshod over their stricken bodies while throwing out a pittance in charity here and there, so Vanderbilt embodied in himself the qualities that capitalist society in mass practiced and glorified. "It was strong men," says Croffut, "whom he liked and sympathized with, not weak ones; the self-reliant, not the helpless. He felt that the solicitor of charity was always a lazy or drunken person, trying to live by plundering the sober and industrious." This malign distrust of fellow beings, this acrid cynicism of motives, this extraordinary imputation of evil designs on the part of the penniless, was characteristic of the capitalist class as a whole. Itself practicing the lowest and most ignoble methods, governed by the basest motives, plundering in every direction, it viewed every member of its own class with suspicion and rapacity. Then it turned about, and with immense airs of superiority, attributed all of its own vices and crimes to the impoverished masses which its own system had created, whether in America or elsewhere.

The apologist may hasten forward with the explanation that the commercial class was not to be judged by Vanderbilt's methods and qualities. In truth, however, Vanderbilt was not more inhuman than many of the contemporary shining lights of the business world.

"HONESTY AND INDUSTRY" ANALYZED

If there is any one fortune commonly praised as having been acquired "by honesty and industry," it is the Borden millions, made from cotton factories. At the time Vanderbilt was blackmailing, the founder of this fortune, Colonel Borden, was running cotton mills in Fall River. His factory operatives worked from five o'clock in the morning to seven in the evening, with but two half hours of intermission, one for breakfast, the other for dinner. The work day of these men, women and children was thus thirteen hours; their wages were wretchedly low, their life was one of actual slavery. Insufficient nourishment, overwork, and the unsanitary and disgusting conditions in the mills, prematurely aged and debilitated them, and were a constant source of disease, killing off considerable numbers, especially the children.

In 1850, the operatives asked Borden for better wages and shorter hours. This was his reply: "I saw that mill built stone by stone; I saw the pickers, the carding engines, the spinning mules and the looms put into it, one after the other, and I would see every machine and stone crumble and fall to the floor again before I would accede to your wishes." Borden would not have been amiss had he added that every stone in that mill was cemented with human blood. His operatives went on a strike, stayed out ten months, suffered frightful hardships, and then were forced back to their tasks by hunger. Borden was inflexible, and so were all the other cotton mill owners.[21] It was not until 1874, after many further bitterly-contested strikes, that the Massachusetts Legislature was prevailed upon to pass a ten-hour law, twenty-four years after the British Parliament had passed such an enactment.

The commercial class, high and low, was impregnated with deceit and dissimulation, cynicism, selfishness and cruelty. What were the aspirations of the working class which it was to uplift? The contrast stood out with stark distinctness. While business men were frantically sapping the labor and life out of their workers, and then tricking and cheating one another to seize the proceeds of that exploitation, the labor unions were teaching the nobility of brotherly coöperation "Cultivate friendship among the great brotherhood of toil," was the advice of Uriah Stevens, master workman of the Knights of Labor, at the annual meeting of that organization on January 12, 1871. And he went on:

> And while the toiler is thus engaged in creating the world's value, how fares his own interest and well-being? We answer, "Badly," for he has too little time, and his faculties become too much blunted by unremitting labor to analyze his condition or devise and perfect financial schemes or reformatory measures. The hours of labor are too long, and should be shortened. I recommend a universal movement to cease work at five o'clock Saturday afternoon, as a beginning. There should be a greater participation in the profits of labor by the industrious and intelligent laborer. In the present arrangements of labor and capital, the condition of the employee is simply that of wage slavery—capital dictating, labor submitting; capital superior, labor inferior.
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> This is an artificial and man-created condition, not God's arrangement and order; for it degrades man and ennobles mere pelf. It demeans those who live by useful labor, and, in proportion, exalts all those who eschew labor and live (no matter by what pretence or respectable cheat—for cheat it is) without productive work.

LABOR'S PRINCIPLES IGNORED

Such principles as these evoked so little attention that it is impossible to find them recorded in most of the newspapers of the time; and if mentioned it was merely as the object of venomous attacks. In varying degrees, now in outright abuse and again in sneering and ridicule, the working class was held up as an ignorant, discontented, violent aggregation, led by dangerous agitators, and arrogantly seeking to upset all business by seeking to dictate to employers what wages and hours of labor should be.

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[21] The heroism of the cotton operatives was extraordinary. Slaves themselves, they battled to exterminate Negro slavery. "The spinner's union," says McNeill, "was almost dead during the [Civil] war, as most of its members had gone to shoulder the musket and to fight . . . to strike the shackles from the Negro. A large number was slain in battle."—"The Labor Movement": 216-217.

And, after all, little it mattered to the capitalists what the workers thought or said, so long as the machinery of government was not in their hands. At about the very time Master Workman Stevens was voicing the unrest of the laboring masses, and at the identical time when the panic of 1873 saw several millions of men workless, thrown upon soup kitchens and other forms of charity, and battered wantonly by policemen's clubs when they attempted to hold mass meetings of protest, an Iowa writer, D. C. Cloud, was issuing a book which showed concretely how thoroughly Government was influenced by the commercial and financial classes. This book, obscurely published and now scarcely known except to the patient delver, is nevertheless one of the few serious books on prevailing conditions written at that time, and is in marked contrast to the reams of printed nonsense then circulated. Although Cloud was tinged greatly with the middle class point of view, and did not see that all successful business was based upon deceit and fraud, yet so far as his lights carried him, he wrote trenchantly and fearlessly, embodying series after series of facts exposing the existing system. He observed:

> . . . A measure without any merit save to advance the interest of a patentee, or contractor, or railroad company, will become a law, while measures of interest to the whole people are suffered to slumber, and die at the close of the session from sheer neglect. It is known to Congressmen that these lobbyists are paid to influence legislation by the parties interested, and that dishonest and corrupt means are resorted to for the accomplishment of the object they have undertaken. . . . Not one interest in the country nor all other interests combined are as powerful as the railroad interest. . . . With a network of roads throughout the country; with a large capital at command; with an organization perfect in all its parts, controlled by a few leading spirits like Scott, Vanderbilt, Jay Gould, Tracy and a dozen others, the whole strength and wealth of this corporate power can be put into operation at any moment, and Congressmen are bought and sold by it like any article of merchandise.[22]

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[22] "Monopolies and the People": 155-156.

Chapter VI

THE ENTAILING OF THE VANDERBILT FORTUNE

THE richer Commodore Vanderbilt grew, the more closely he clung to his old habits of intense parsimony. Occasionally he might ostentatiously give a large sum here or there for some religious or philanthropic purpose, but his general undeviating course was a consistent meanness. In him was united the petty bargaining traits of the trading element and the lavish capacities for plundering of the magnate class. While defrauding on a great scale, pocketing tens of millions of dollars at a single raid, he would never for a moment overlook the leakage of a few cents or dollars. His comprehensive plans for self-aggrandizement were carried out in true piratical style; his aims and demands were for no paltry prize, but for the largest and richest booty. Yet so ingrained by long development was his facility of acquisition, that it far passed the line of a passion and became a monomania.

VANDERBILT'S CHARACTERISTICS

To such an extent did it corrode him that even when he could boast his $100,000,000 he still persisted in haggling and huckstering over every dollar, and in tricking his friends in the smallest and most underhand ways. Friends in the true sense of the word he had none; those who regarded themselves as such were of that thrifty, congealed disposition swayed largely by calculation. But if they expected to gain overmuch by their intimacy, they were generally vastly mistaken; nearly always, on the contrary, they found themselves caught in some unexpected snare, and riper in experience, but poorer in pocket, they were glad to retire prudently to a safe distance from the old man's contact. "Friends or foes," wrote an admirer immediately after his death, "were pretty much on the same level in his estimation, and if a friend undertook to get in his way he was obliged to look out for himself."

On one occasion, it is related, when a candidate for a political office solicited a contribution, Vanderbilt gave $100 for himself, and an equal sum for a friend associated with him in the management of the New York Central Railroad. A few days later Vanderbilt informed this friend of the transaction, and made a demand for the hundred dollars. The money was paid over. Not long after this, the friend in question was likewise approached for a political contribution, whereupon he handed out $100 for himself and the same amount for Vanderbilt. On being told of his debt, Vanderbilt declined to pay it, closing the matter abruptly with this laconic pronunciamento, "When I give anything, I give it myself." At another time Vanderbilt assured a friend that he would "carry" one thousand shares of New York Central stock for him. The market price rose to $115 a share and then dropped to $90. A little later, before setting out to bribe an important bill through the Legislature—a bill that Vanderbilt knew would greatly increase the value of the stock—the old magnate went to the friend and represented that since the price of the stock had fallen it would not be right to subject the friend to a loss. Vanderbilt asked for the return of the stock and got it. Once the bill became a law, the market price of the stock went up tremendously, to the utter dismay of the confiding friend who saw a profit of $80,000 thus slip out of his hands into Vanderbilt's.[1]

In his personal expenses Vanderbilt usually begrudged what he looked upon as superfluous expense. The plainest of black clothes he wore, and he never countenanced jewelry. He scanned the table bill with a hypercritical eye. Even the sheer necessities of his physical condition could not induce him to pay out money for costly prescriptions. A few days before his death his physician recommended champagne for some internal trouble. "Champagne!" exclaimed Vanderbilt with a reproachful look, "I can't afford champagne. A bottle every morning! Oh, I guess sody water'll do!"

From all accounts it would seem that he diffused about him the same forbidding environment in his own house. He is described as stern, obstinate, masterful and miserly, domineering his household like a tyrant, roaring with fiery anger whenever he was opposed, and flying into fits of fury if his moods, designs and will were contested. His wife bore him thirteen children, twelve of whom she had brought up to maturity. A woman of almost rustic simplicity of mind and of habits, she became obediently meek under the iron discipline he administered. Croffut says of her that she was "acquiescent and patient under the sway of his dominant will, and in the presence of his trying moods." He goes on: "The fact that she lived harmoniously with such an obstinate man bears strong testimony to her character."[2]

If we are to place credibility in current reports, she was forced time and time again to undergo the most violent scenes in interceding for one of their sons, Cornelius Jeremiah. For the nervous disposition and general bad health of this son the father had not much sympathy; but the inexcusable crime to him was that Cornelius showed neither inclination nor capacity to engage in a business career. If Cornelius had gambled on the stock exchange his father would have set him down as an exceedingly enterprising, respectable and promising man. But he preferred to gamble at cards. This rebellious lack of interest in business, joined with dissipation, so enraged the old man that he drove Cornelius from the house and only allowed him access during nearly a score of years at such rare times as the mother succeeded in her tears and pleadings. Worn out with her long life of drudgery, Vanderbilt's wife died in 1868; about a year later the old magnate eloped with a young cousin, Miss F. A. Crawford, and returning from Canada, announced his marriage, to the unbounded surprise and utter disfavor of his children.

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[1] These and similar anecdotes are to be found incidentally mentioned in a two-page biography, very laudatory on the whole, in the New York Times, issue of January 5, 1877.

[2] "The Vanderbilts": 113.

THE OLD MAGNATE'S DEATH

An end, however, was soon coming to his prolonged life. A few more years of money heaping, and then, on May 10, 1876, he was taken mortally ill. For eight months he lay in bed, his powerful vitality making a vigorous battle for life; two physicians died while in the course of attendance on him; it was not until the morning of January 4, 1877, that the final symptoms of approaching death came over him. When this was seen the group about his bed emotionally sang: "Come, Ye Sinners, Poor and Needy," "Nearer, My God, to Thee," and "Show Ye Pity, Lord." He died with a conventional religious end of which the world made much; all of the proper sanctities and ceremonials were duly observed; nothing was lacking in the piety of that affecting deathbed scene. It furnished the text for many a sermon, but while ministerial and journalistic attention was thus eulogistically concentrated upon the loss of America's greatest capitalist, not a reference was made in church or newspaper to the deaths every year of a host of the lowly, slain in the industrial vortex by injury and disease, and too often by suicide and starvation. Except among the lowly themselves this slaughter passed unprotested and unnoticed.

Even as Vanderbilt lay moribund, speculation was busy as to the disposition of his fortune. Who would inherit his aggregation of wealth? The probating of his will soon disclosed that he had virtually entailed it. About $90,000,000 was left to his eldest son, William H., and one-half of the remaining $15,000,000 was bequeathed to the chief heir's four sons.[3] A few millions were distributed among the founder's other sur-

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[3] To Cornelius J. Vanderbilt, the Commodore's "wayward" son, only the income derived from $200,000 was bequeathed, upon the condition that he should forfeit even this legacy if he contested the will. Nevertheless, he brought a contest suit. William H. Vanderbilt compromised the suit by giving to his brother the income on $1,000,000. On April 2, 1882, Cornelius J. Vanderbilt shot and killed himself. Croffut gives this highly enlightening account of the compromising of the suit:

"At least two of the sisters had sympathized with 'Cornele's' suit, and had given him aid and comfort, neither of them liking the legatee, and one of them, not having been for years on speaking terms with him; but now, in addition to the bequests made to his sisters, William H. voluntarily [sic] added $500,000 to each from his own portion.

"He drove around one evening, and distributed this splendid largess from his carriage, he himself carrying the bonds into each house in his arms and delivering them to each sister in turn. The donation was accompanied by two interesting incidents. In one case the husband said, 'William, I've made a quick calculation here, viving children, and some comparatively small sums bequeathed to charitable and educational institutions. The Vanderbilt dynasty had begun.

PERSONALITY OF THE CHIEF HEIR

At this time William H. Vanderbilt was fifty-six years old. Until 1864 he had been occupied at farming on Staten Island; he lived at first in "a small, square, plain two-story house facing the sea, with a lean-to on one end for a kitchen." The explanation of why the son of a millionaire betook himself to truck farming lay in these facts: The old man despised leisure and luxury, and had a correspondingly strong admiration for "self-made" men. Knowing this, William H. Vanderbilt made a studious policy of standing in with his father, truckling to his every caprice and demand, and proving that he could make an independent living. He is described as a phlegmatic man of dull and slow mental processes, domestic tastes and of kindly disposition to his children. His father (so the chronicles tell) did not think that he "would ever amount to anything," but by infinite plodding, exacting the severest labor from his farm laborers, driving close bargains and turning devious tricks in his dealings, he gradually won the confidence and respect of the old man, who was always pleased with proofs of guile. Croffut gives a number of instances of William's craft and continues: "From his boyhood he had given instant and willing submission to the despotic will of his father, and had made boundless sacrifices to please him. Most men would have burst defiantly away from the repressive control and imperious requirements; but he doubtless thought that for the chance of becoming heir to $100,000,000 he could afford to remain long in the passive attitude of a distrusted prince."

The old autocrat finally modified his contemptuous opinion, and put him in an executive position in the management of the New York and Harlem Railroad. Later, he elevated him to be a sort of coadjutor by installing him as vice president of the New York Central Railroad, and as an associate in the directing of other railroads. It was said to be painful to note the exhausting persistence with which William H. Vanderbilt daily struggled to get some perceptions of the details of railroad management. He did succeed in absorbing considerable knowledge. But his training at the hands of his father was not so much in the direction

and I find these bonds don't amount to quite $500,000. They're $150 short, at the price quoted today.' The donor smiled, and sat down and made out his check for the sum to balance.

"In another case, a husband, after counting and receipting for the $500,000, followed the generous visitor out of the door, and said, 'By the way, if you conclude to give the other sisters any more you'll see that we fare as well as any of them, won't you?' The donor jumped into his carriage and drove off without replying, only saying, with a laugh, to his companions, 'Well, what do you think o' that?' "—"The Vanderbilts":151-152.

of learning the system of management. Men of ability could always be hired to manage the roads. What his father principally taught him was the more essential astuteness required of a railroad magnate; the manipulation of stocks and of common councils and and legislatures; how to fight and overthrow competitors and extend the sphere of ownership and control; and how best to resist, and if possible to destroy, the labor unions. In brief, his education was a duplication of his father's scope of action: the methods of the sire were infused into the son.

From the situation in which he found himself, and viewing the particular traits required in the development of capitalistic institutions, it was the most appropriate training that he could have received. Book erudition and the cultivation of fine qualities would have been sadly out of place; his father's teachings were precisely what were needed to sustain and augment his possessions. On every hand he was confronted either by competitors who, if they could get the chance, would have stripped him without scruple, or by other men of his own class who would have joyfully defrauded him. But overshadowing these accustomed business practices, new and startling conditions that had to be met and fought were now appearing.

Instead of a multitude of small, detached railroads, owned and operated by independent companies, the period was now being reached of colossal railroad systems. In the East the small railroad owners had been well-nigh crushed out, and their properties joined in huge lines under the ownership of a few controlling men, while in the West, extensive systems, thousands of miles long, had recently been built. Having stamped out most of the small owners, the railroad barons now proceeded to wrangle and fight among themselves. It was a characteristic period when the railroad magnates were constantly embroiled in the bitterest quarrels, the sole object of which was to outdo, bankrupt and wreck one another and seize, if possible, the others' property.

THE RISE OF THE FIRST TRUST

It was these conflicts that developed the auspicious time and opportunity for a change of the most world-wide importance, and one which had a stupendous ultimate purport not then realized. The wars between the railroad magnates assumed many forms, not the least of which was the cutting of freight rates. Each railroad desperately sought to wrench away traffic from the others by offering better inducements. In this cutthroat competition, a coterie of young men in the oil business, led by John D. Rockefeller, saw their fertile chance.

The drilling and the refining of oil, although in their comparative infancy, had already reached great proportions. Each railroad was eager to get the largest share of the traffic of transporting oil. Rockefeller, ruminating in his small refinery at Cleveland, Ohio, had conceived the revolutionary idea of getting a monopoly of the production and distribution of oil, obliterating the middleman, and systematizing and centralizing the whole business.

Then and there was the modern trust born; and from the very inception of the Standard Oil Company Rockefeller and his associates tenaciously pursued their design with a combined ability and unscrupulousness such as had never before been known since the rise of capitalism. One railroad after another was persuaded or forced into granting them secret rates and rebates against which it was impossible to compete. The railroad magnates—William H. Vanderbilt, for instance—were taken in the fold of the Standard Oil Company by being made stockholders. With these secret rates the Standard Oil Company was enabled to crush out absolutely a myriad of competitors and middlemen, and control the petroleum trade not only of the United States but of almost the entire world. Such fabulous profits accumulated that in the course of forty years, after one unending career of industrial construction on the one hand, and crime on the other, the Standard Oil Company was easily able to become owners of prodigious railroad and other systems, and completely supplant the scions of the magnates whom three or four decades before they had wheedled or browbeaten into favoring them with discriminations.

CORPORATE WEALTH AND LABOR UNIONS

The effects of this great industrial transition were clearly visible by 1877, so much so that two years later, Vanderbilt, more prophetically than he realized, told the Hepburn Committee that "if this thing keeps up the oil people will own the roads." But other noted industrial changes were concurrently going on. With the upspringing and growth of gigantic combinations or concentrations of capital, and the gradual disappearance of the small factors in railroad and other lines of business, workers were compelled by the newer conditions to organize on large and compact national lines.

At first each craft was purely local and disassociated from other trades unions. But comprehending the inadequacy and futility of existing separately, and of acting independently of one another, the unions had some years back begun to weld themselves into one powerful body, covering much of the United States. Each craft union still retained its organization and autonomy, but it now became part of a national organization embracing every form of trades, and centrally officered and led. It was in this way that the workers, step by step, met the organization of capital; the two forces, each representing a conflicting principle, were thus preparing for a series of great industrial battles.

Capital had the wealth, resources and tools of the country; the workers their labor power only. As it stood, it was an uneven contest, with every advantage in favor of capital. The workers could decline to work, but capital could starve them into subjection. These, however, were but the apparent differences. The real and immense difference between them was that capital was in absolute control of the political governing power of the nation, and this power, strange to say, it secured by the votes of the very working class constantly fighting it in the industrial arena. Many years were to elapse before the workers were to realize that they must organize and vote with the same political solidarity that they long had been developing in industrial matters. With political power in their hands the capitalists could, and did, use its whole weight with terrific effect to beat down the working class, and nullify most of the few concessions and laws obtained by the workers after the severest and most self-sacrificing struggles.

One of the first memorable battles between the two hostile forces came about in 1877. In their rate wars the railroad magnates had cut incisively into one another's profits. The permanent gainers were such incipient, or fairly well developed, trusts or combinations as the Standard Oil Company. Now the magnates set about asserting the old capitalist principle of recouping themselves by forcing the workers to make up their losses.

But these deficits were merely relative. Practically every railroad had issued vast amounts of bonds and watered stock, on which fixed charges and dividends had to be paid. Judged by the extent of this inflated stock, the profits of the railroads had certainly decreased. Despite, however, the prevailing cutthroat competition, and the slump in general business following the panic of 1873, the railroads were making large sums on their actual investment, so-called. Most of this investment, it will be recalled, was not private money but was public funds, which were later stolen by corrupt legislation. It was shown before the Hepburn Committee in 1879, as we have noted, that from 1869 the New York Central Railroad had been making sixteen, and perhaps more than twenty per cent., on the actual cost of the road.

Moreover, apart from the profits from ordinary traffic, the railroads were annually fattening on immense sums of public money gathered in by various fraudulent methods. One of these—and it is well worth adverting to—was the robbery of the people in the transportation of mails. By a fraudulent official construction, in 1873, of the postal laws, the railroads obtained huge sums in falsifying the weight of mail carried, and later charged ten times as much for mail carrying as did the express companies (the profits of which were very great) for equal haulage. But these were simply two phases of the postal plunder. In addition to the regular mail payments, the Government long paid to the railroad companies an extra allowance of $6,250 a year for the rent of each postal car used, although official investigation proved that the whole cost of constructing such a car averaged but from $2,500 to $5,000. In rent alone, five millions a year were paid for cars worth, all told, about four millions. From official estimates it would clearly seem that the railroads then cheated the people out of at least $20,000,000 a year in excess rates.[4] Occasionally the postal officials made efforts at stopping the plunder, but with no real effect.

THE GREAT STRIKE OF 1877

Making a loud and plaintive outcry about their declining revenues, some of the railroad systems prepared to assess their fictitious losses upon the workers by cutting down wages. They had already reduced wages to the point of the merest subsistence; and now they decreed that wages must again be curtailed ten cents on every dollar. The Baltimore and Ohio Railroad, then in the hands of the Garrett family, with a career behind it of consecutive political corruption and fraud, in some ways surpassing that of the Vanderbilts, led in reducing the wages of its workers. The Pennsylvania Railroad followed, and then the Vanderbilts gave the order for another reduction.

At once the Baltimore and Ohio Railroad employes retaliated by declaring a strike; the example was followed by the Pennsylvania men. In order to alienate the sympathy of the general public and to have a pretext for suppressing the strike with armed force, the railroads, it is quite certain, instigated riots at Martinsburg, W. Va., and at Pittsburg. Troops were called out and the so-called mobs were fired on, resulting in a number of strikers being killed and many wounded.

That the railroads deliberately destroyed their own property and then charged the culpability to the strikers, was common report. So conservative an authority as Carroll D. Wright, for a long time United States Commissioner of Labor, tells of the railroad agents setting a large number of old, decayed, worthless freight cars at Pittsburg on fire, and accusing the strikers of the act. He further tells of the Pennsylvania Railroad subsequently extorting millions of dollars from the public treasury on the ground that the destruction of these cars resulted from riot. Wright says that from all that he has been able to gather, he believes the reports of the railroads manufacturing riots to have been true.[5] Vanderbilt acted with greater wisdom than his fellow magnates. Adopting a conciliatory stand, he averted a strike on his lines by restoring the old rate of wages and by other mollifying measures.

He was now assailed from a different direction. The long gathering anger and enmity of the various sections of the middle class against the corporate wealth which had possessed itself of so dictatorial a power, culminated in a manner as instructive as it was ineffective.

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[4] Postmaster General Vilas Annual Report for 1887:56. In a debate in the United States Senate on Febrauary 11, 1905, Senator Pettigrew quoted Postmaster General Wanamaker as saying that "the railroad companies see to it that the representatives in Congress in both branches take care of the interests of the railway people, and that it is practically impossible to procure legislation in the way of reducing expenses."

[5] "The Battles of Labor":122. In all, the railroad companies secured approximately $22,000,000 from the public treasury in Pennsylvania as indemnity for property destroyed during these "riots." In a subsequent chapter, the corruption of the operation is described.

In New York State, the Legislature was prevailed upon, in 1879, to appoint an investigating committee. Vanderbilt and other railroad owners, and a multitude of complaining traders were haled up to give testimony; the stock-jobbing transactions of Vanderbilt and Gould were fully and tediously gone into, as also were the methods of the railroads in favoring certain corporations and mercantile establishments with secret preferential freight rates.

Not in the slightest did this long-drawn investigation have any result calculated to break the power of the railroad owners, or their predominant grip upon governmental functions.

The magnate class preferred to have no official inquiries; there was always the annoying possibility that in some State or other inconvenient laws might be passed, or harrassing legal actions begun; and while revocation or amendment of these laws could be put through subsequently when the popular excitement had died away, and the suits could be in some way defeated, the exposures had an inflaming effect upon a population as yet ill-used to great one-man power of wealth. But if popular demand insisted upon action against the railroad magnates, there was no policy more suitable to these magnates than that of being investigated by legislative committees. They were not averse to their opponents amusing themselves, and finding a vent for their wrath, in volumes of talk which began nowhere and ended nowhere. In reply to charges, the magnates could put in their skillful defense, and inject such a maze of argument, pettifoggery and technicalities into the proceedings, that before long the public, tired of the puzzle, was bound to throw up its hands in sheer bewilderment, unable to get any concrete idea of what it was all about.

FRAUD BECOMES RESPECTABLE WEALTH

So the great investigation of 1879 passed by without the least deterrent effect upon the constantly-spreading power and wealth of such men as Vanderbilt and Gould. But the investigation of 1879 had one significant unanticipated result.

What William H. Vanderbilt now did is well worth noting. As the owner of four hundred thousand shares of New York Central stock he had been rabidly denounced by the middle class as a plutocrat dangerous to the interests of the people. He decided that it would be wise to sell a large part of this stock; by this stroke he could advantageously exchange the forms of some of his wealth, and be able to put forward the plausible claim that the New York Central Railroad, far from being a one-man institution, was owned by a large number of investors. In November, 1879, he sold through J. Pierpont Morgan more than two hundred thousand shares to a syndicate, chiefly, however, to British aristocrats.

This sale in no way diminished his actual control of the New York Central Railroad, not only did he retain a sufficient number of shares, but he owned an immense block of the railroad's bonds. The sale of the stock brought him $35,000,000. What did he do with this sum? He at once reinvested it in United States Government bonds. This surely was a very sagacious move. Stocks do not have the solid, honest air that Government bonds do; nothing is more finely and firmly respectable than a Government bondholder.

Vanderbilt continued the process of investing in Government bonds; in a few years he owned not less than $54,000,000 worth of four per cents. In 1884 he had to sell $10,000,000 of them to make good the losses incurred by his sons on the Stock Exchange, but he later bought $10,000,000 more. Also he owned $4,000,000 in Government three and one-half per cent. bonds, many millions of State and city bonds, several millions of dollars in manufacturing stocks and mortgages, and $22,000,000 of railroad bonds. The same Government of which his father had defrauded millions of dollars now stood as a direct guarantee behind at least $70,000,000 of his bonded wealth, and the whole population of the United States was being taxed to pay interest on bonds.

In the years following his father's death, William H. Vanderbilt found no difficulty in adding more extended railroad lines to his properties, and in increasing his wealth by tens of millions of dollars at a leap.

MORE RAILROADS ACQUIRED

The impact of his vast fortune was well-nigh resistless. Commanding both financial and political power, his money and resources were used with destructive effect against almost every competitor standing in his way. If he could not coerce the owners of a railroad, the possession of of which he sought, to sell to him at his own price, he at once brought into action the wrecking tactics his father had so successfully used.

The West Shore Railroad, a competing line running along the west bank of the Hudson River, was bankrupted by him, and finally, in 1883, bought in under foreclosure proceedings. By lowering his freight rates he took away most of its business; through a series of years he methodically caused it to be harassed and burdened by the exercise of his great political power; he thwarted its plans and secretly hindered it in its application for money loans or other relief. Other means, open and covert, were employed to insure its ruination. When at last he had driven its owners into a corner, he calmly stepped in and bought up its control cheaply, and then turned out many millions of dollars of watered stock.

He attempted to break in upon the territory traversed by the Pennsylvania Railroad by building a competing line, the South Pennsylvania Railroad. In the construction of this road he had an agreement with the Philadelphia and Reading Railroad, an intense competitor of the Pennsylvania; and, as a precedent to building his line, he obtained a large interest in the Reading Railroad. Out of this arrangement grew a highly important sequence which few then foresaw—the gradual assumption by the Vanderbilt family of a large share of the ownership and control of the anthracite coal mines of Pennsylvania.

Vanderbilt, aiming at sharing in the profits from the rich coal, oil and manufacturing traffic of Pennsylvania, went ahead with his building of the South Pennsylvania line. But there was an easy way of getting millions of dollars before the road was even opened. This was the fraudulent one, so widely practiced, of organizing a bogus construction company, and charging three and four times more than the building of the railroad actually cost. Vanderbilt got together a dummy construction company composed of some of his clerks and brokers, and advanced the sum, about $6,500,000, to build the road. In return, he ordered this company to issue $20,000,000 in bonds, and the same amount in stock. Of this $40,000,000 in securities, more than $30,000,000 was loot.[6]

If, however, Vanderbilt anticipated that the Pennsylvania Railroad would remain docile or passive while his competitive line was being built, he soon learned how sorely mistaken he was. This time he was opposing no weak, timorous or unsophisticated competitors, but a group of the most powerful and astute organizers and corruptionists. Their methods in Pennsylvania and other States were exactly the same as Vanderbilt's in New York State; their political power was as great in their chosen province as his in New York. His incursion into the territory they had apportioned to themselves for exploitation was not only resented but was fiercely resisted. Presently, overwhelmed by the crushing financial and political weapons with which they fought him, Vanderbilt found himself compelled to compromise by disposing of the line to them.

THE SEQUEL TO A "GENTLEMEN'S AGREEMENT"

Vanderbilt's methods and his duplicity in the disposition of this project were strikingly revealed in the court proceedings instituted by the State of Pennsylvania. It appeared from the testimony that he had made a "gentlemen's agreement" with the Reading Railroad, the bitterest competitor of the Pennsylvania Railroad, for a close alliance of interests. Vanderbilt owned eighty-two thousand shares of Reading stock, much of which he had obtained on this agreement. Strangely confiding in his word, the Reading management proceeded to expend large sums of money in building terminals at Harrisburg and elsewhere to make connections with his proposed South Pennsylvania Railroad.

The Pennsylvania Railroad, however, set about retaliating in various effective ways. At this point, J. Pierpont Morgan—whose career we shall duly describe—stepped boldly in. Morgan was Vanderbilt's financial agent; and it was he, according to his own testimony on October

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[6] Van Oss' "American Railroads As Investments": 126. Professor Frank Parsons, in his "Railways, the Trusts and the People," incorrectly ascribed this juggling to Commodore Vanderbilt.

13, 1885, before the court examiner, who now suggested and made the arrangements between Vanderbilt and the Pennsylvania Railroad magnates, by which the South Pennsylvania Railroad was to become the property of the Pennsylvania system, and the Reading Railroad magnates were to be as thoroughly thrown over by as deft a stroke of treachery as had ever been put through in the business world.

To their great astonishment, the Reading owners woke up one morning to find that Vanderbilt and his associates had completely betrayed them by disposing of a majority of the stock of the partly built South Pennsylvania line to the Pennsylvania Railroad system for $5,600,000 in three per cent. railroad debenture bonds. It is interesting to inquire who Vanderbilt's associates were in this transaction. They were John D. Rockefeller, William Rockefeller, D. O. Mills, Stephen B. Elkins, William C. Whitney and other founders of large fortunes. For once in his career, Vanderbilt met in the Pennsylvania Railroad a competitor powerful enough to force him to compromise.

Elsewhere, Vanderbilt was much more successful. Out through the fertile wheat, corn and cattle sections of Wisconsin, Minnesota, Iowa, Dakota and Nebraska ran the Chicago and Northwestern Railroad, a line 4,000 miles long which had been built mostly by public funds and land grants. Its history was a succession of corrupt acts in legislatures and in Congress, and comprised the usual process of stock watering and exploitation. By a series of manipulations ending in 1880, Vanderbilt secured a controlling interest in this railroad, so that he had a complete line from New York to Chicago, and thence far into the Northwest. During these years he also secured control of other railroad lines.

HE EXPANDS IN SPLENDOR

It was at this time that he, in accord with the chrysalid tendency manifested by most other millionaires, discarded his long-followed sombre method of life, and invested himself with a gaudy magnificence. On Fifth avenue, at Fifty-first and Fifty-second streets, he built a spacious brown-stone mansion. In reality it was a union of two mansions; the southern part he planned for himself, the northern part for his two daughters. For a year and a half more than six hundred artisans were employed on the interior; sixty stoneworkers were imported from Europe. The capaciousness, the glitter and the cluttering of splendor in the interior were regarded as of unprecedented lavishness in the United States.

All of the luxury overloading these mansions, as was well known, represented spoliation; but none could deny that Vanderbilt was fully entitled to it by the laws of a society which decreed that its rulers should be those who could best use and abuse it. And rulers must ever live imperiously and impressively; it was not fitting that those who commanded the resources, labor and Government of a nation should issue their mandates from pinched and meager surroundings. Mere pseudo-political rulers, such as governors and presidents, were expected to be satisfied with the plain, unornamental official residences provided by the people. Luckily for themselves, the financial and industrial rulers were bound by no circumscribing tradition; hence they had no set of buckramed rules to stick close to for fear of an indignant electorate.

A SUDDEN TRANSFORMATION

The President of the United States lived in the subdued simplicity of the White House. But William H. Vanderbilt ate in a great, lofty dining room, twenty-six by thirty-seven feet, wrought in Italian Renaissance, with a wainscot of golden-hued, delicately-carved English oak around all four sides, and a ceiling with richly-painted hunting-scene panels. When he entertained it was in a vast drawing-room, palatially equipped, its walls hung with flowing masses of pale red velvet, embroidered with foliage flowers and butterflies, and set with crystals and precious stones.

It was his art gallery, however, which flattered him most. He knew nothing of art, and underneath his pretensions cared less, for he was a complete utilitarian; but it had become fashionable to have an elaborate art gallery, and he forthwith disbursed money right and left to assemble an aggregation of paintings.

He gave orders to agents for their purchase with the same equanimity that he would contracts for railroad supplies. And, as a rule, the more generous in size the canvasses, the more satisfied he was that he was getting his money's worth; art to him meant buying by the square foot. Not a few of the paintings unloaded upon him were, despite their high-sounding reputations, essentially commonplace subjects, and flashy and hackneyed in execution; but he gloried in the celebrity that came from the high prices he was decoyed into paying for them. For one of Meissonier's paintings, "The Arrival at the Chateau," he paid $40,000, and on one of his visits to Paris he enriched Meissonier to the extent of $188,000 for seven paintings. Not until his corps of art advisers were satisfied that a painter became fashionably talked about, could Vanderbilt be prevailed upon to buy examples of his work. There was something intensely magical in the ease and cheapness with which he acquired the reputation of being a "connoisseur of art." Neither knowledge nor appreciation were required; with the expenditure of a few hundred thousand dollars he instantaneously transformed himself from a heavy-witted, uncultured money hoarder into the character of a surpassing "judge and patron of art." And his pretensions were seriously accepted by the uninformed, absorbing their opinions from the newspapers.

"THE PUBLIC BE DAMNED"

If he had discreetly comported himself in other respects he might have passed tolerably well as an extremely public-spirited and philanthropic man. After every great fraud that he put through he would usually throw out to the public some ostentatious gift or donation. This would furnish a new ground to the sycophantic chorus for extolling his fine qualities. But he happened to inherit his father's irascibility and extreme contempt for the public whom he exploited. Unfortunately for him, he let out on one memorable occasion his real sentiments. Asked by a reporter why he did not consider public convenience in the running of his trains, he blurted out, "The public be damned!"

It was assuredly a superfluous question and answer; but expressed so sententiously, and published, as it was, throughout the length and breadth of the land, it excited deep popular resentment. He was made the target for general denunciation and execration, although unreasonably so, for he had but given candid and succinct utterance to the actuating principle of the whole capitalist class. The moral of this incident impressed itself sharply upon the minds of the masterly rich, and to this day has greatly contributed to the politic manner of their exterior conduct. They learned that however in private they might safely sneer at the mass of the people as created for their manipulation and enrichment, they must not declare so publicly. Far wiser is it, they have come to understand, to confine spoliation to action, while in outward speech affirming the most touching professions of solicitude for public interests.

ADDS $100,000,000 IN SEVEN YEARS

But William H. Vanderbilt was little affected by this outburst of public rage. He could well afford to smile cynically at it, so long as no definite move was taken to interfere with his privileges, power and possessions. Since his father's death he had added fully $100,000,000 to his wealth, all within a short period. It had taken Commodore Vanderbilt more than thirty years to establish the fortune of $105,000,000 he left. With a greater population and greater resources to prey upon, William H. Vanderbilt almost doubled the amount in seven years. In January, 1883, he confided to a friend that he was worth $194,000,000. "I am the richest man in the world," he went on. "In England the Duke of Westminster is said to be worth $200,000,000, but it is mostly in land and houses and does not pay two per cent." [7] In the same breath that he boasted of his wealth he would bewail the ill-health condemning him to be a victim of insomnia and indigestion.

Having a clear income of $10,350,000 a year, he kept his ordinary expenses down to $200,000 a year. Whatever air of indifference he would assume in his grandee rôle of "art collector," yet in most other matters he was inveterately close-fisted. He had a delusion that "everybody in the world was ready to take advantage of him," and he regarded "men and women, as a rule, as a pretty bad lot." [8] This incident—one of many similar incidents narrated by Croffut—reveals his microscopic vigilance in detecting impositions:

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[7] Related in the New York Times, issue of December 9, 1885.

[8] "The Vanderbilts": 127.

> When in active control of affairs at the office he followed the unwholesome habit of eating the midday lunch at his desk, the waiter bringing it in from a neighboring restaurant.
>
> He paid his bill for this weekly, and he always scrutinized the items with proper care. "Was I here last Thursday?" he asked of a clerk at an adjoining desk.
>
> "No, Mr. Vanderbilt; you stayed at home that day."
>
> "So I thought," he said, and struck that day from the bill. Another time he would exclaim, sotto voce, "I didn't order coffee last Tuesday," and that item would vanish.

Up to the very last second of his life his mind was filled with a whirl of business schemes; it was while discussing railroad plans with Robert Garrett in his mansion, on December 8, 1885, that he suddenly shot forward from his chair and fell apoplectically to the floor, and in a twinkling was dead. Servants ran to and fro excitedly; messengers were dispatched to summon his sons; telegrams flashed the intelligence far and wide.

The passing away of the greatest of men could not have received a tithe of the excitement and attention caused by William H. Vanderbilt's death. The newspaper offices hotly issued page after page of description, not without sufficient reason. For he, although untitled and vested with no official power, was in actuality an autocrat; dictatorship by money bags was an established fact; and while the man died, his corporate wealth, the real director and center, to a large extent, of government functions, survived unimpaired.

He had abundantly proved his autocracy. Law after law had he violated; like his father he had intimidated, had brought about the passage of laws he wanted, ignored such as were unsuited to his interests, and had decreed his own rules and codes. Progressively bolder had the money kings become in coming out into the open in the directing of Government. Long had they prudently skulked behind forms, devices and shams; they had operated secretly through tools in office, while virtuously disclaiming any insidious connection with politics. But no observer took this pretence seriously. James Bryce, fresh from England, delving into the complexities and incongruities of American politics at about this time, wrote that "these railway kings are among the greatest men, perhaps I may say, the greatest men in America," which term, "greatest," was a ludicrously reverent way of describing their qualities. "They have power," he went on in the same work, "more power—that is, more opportunity to make their will prevail, than perhaps any one in political life except the President or the Speaker, who, after all, hold theirs only for four years and two years, while the railroad monarch holds his for life."[9] Bryce was not well enough acquainted with the windings and depths of American political workings to know that the money kings had more power than President or Speaker, not nominally, but essentially. He further related how when a railroad magnate traveled, his journey was like a royal progress; Governors of States and Territories bowed before him; Legislatures received him in solemn session; cities and towns sought to propitiate him, for had he not the means of making or marring a city's fortunes? "You cannot turn in any direction in American politics," wrote Richard T. Ely a little later, "without discovering the railway power. It is the power behind the throne. It is a correct popular instinct which designates the leading men in the railways, railroad magnates or kings. . . . Its power ramifies in every direction, its roots reaching counting rooms, editorial sanctums, schools and churches which it supports with a part of its revenues, as well as courts and Legislatures." . . .[10]

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[9] "The American Commonwealth," First Ed.: 515.

HIS DEATH A NOTABLE EVENT

Vanderbilt's death, as that of one of the real monarchs of the day, was an event of transcendent importance, and was treated so. The vocabulary was ransacked to find adjectives glowing enough to describe his enterprise, foresight, sagacity and integrity. Much elaborated upon was the fiction that he had increased his fortune by honest, legitimate means—a fiction still disseminated by those shallow or mercenary writers whose trade is to spread orthodox belief in existing conditions. The underlying facts of his career and methods were purposely suppressed, and a nauseating sort of panegyric substituted. The extent of his possessions and the size of his fortune aroused wonderment, but no effort was made to contrast the immense wealth bequeathed by one man with the dire poverty on every hand, nor to connect those two conditions.

At the very time his wealth was being inventoried at $200,000,000, not less than a million wage earners were out of employment,[11] while the millions at work received the scantiest wages. Nearly three millions of people had been completely pauperized, and, in one way or another, had to be supported at public expense. Once in a rare while, some perceptive and unshackled public official might pierce the sophistries of the day and reveal the cause of this widespread poverty, as Ira Steward did in the fourth annual report of the Massachusetts Bureau of Statistics of Labor for 1873.

"It is the enormous profits," he pointedly wrote, "made directly upon the labor of the wage classes, and indirectly through the results of their labor, that, first, keeps them poor, and, second, furnishes the capital that is finally loaned back to them again" at high rates of interest.

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[10] "The Independent," issue of August 28, 1890.

[11] "It is probably true," said Carroll D. Wright in the United States Labor Report for 1886, "that this total (in round numbers 1,000,000) as representing the unemployed at any one time in the United States, is fairly representative."

Unquestionably sound and true was this explanation, yet of what avail was it if the causes of their poverty were withheld from the active knowledge of the mass of the wage workers? It was the special business of the newspapers, the magazines, the pulpit and the politicians to ignore, suppress or twist every particle of information that might enlighten or arouse the mass of people; if these agencies were so obtuse or recalcitrant as not to know their expected place and duty at critical times, they were quickly reminded of them by the propertied classes. To any newspaper owner, clergyman or politician showing a tendency to radicalism, the punishment came quickly. The newspaper owner was deprived of advertisements and accommodations, the clergyman was insidiously hounded out of his pulpit by his own church associations, the funds of which came from men of wealth, and the politician was ridiculed and was summarily retired to private life by corrupt means. As for genuinely honest administrative officials (as distinguished from the *apparently* honest) who exposed prevalent conditions and sought to remedy them in their particular departments, they were eventually got rid of by a similar campaign of calumny and corrupt influences.

HIS SUCCESS IN EVADING TAXES

As in the larger sense all criticism of conditions was systematically smothered, so were details of the methods of the rich carefully obscured or altogether passed by in silence. At Vanderbilt's death the newspapers laved in gorgeous descriptions of his mansion. Yet apart from the proceeds of his great frauds, the amounts out of which he had cheated the city and State in taxation were alone much more than enough to have paid for his splendor of living. Like every other millionaire without exception, he continuously evaded taxes.

We have seen how the Vanderbilts seized hold of tens of millions of dollars of bonds. Certain of their railroad stocks were exempted from individual taxation, but railroad bonds ranked as taxable personal property. Year after year William H. Vanderbilt had sworn that his personal property did not exceed $500,000. On more than this amount he would not pay. When at his death his will revealed to the public the proportions of his estate, the New York City Commissioners of Assessments and Taxes made an apparent effort to collect some of the millions of dollars out of which he had cheated the city. It was now that the obsequious and time-serving Depew, grown gray and wrinkled in the retainership of the Vanderbilt generations, came forward with this threat: "He informed us," testified Michael Coleman, president of the commission, "that if we attempted to press too hard he would take proceedings by which most of the securities would be placed beyond our reach so that we could not tax them. The Vanderbilt family could convert everything they had into non-taxable securities, such as New York Central, Government and city bonds, Delaware and Lackawanna and Delaware and Western Railroad stocks, and pay not a dollar provided they wished to do so." [12]

The Vanderbilt estate compromised by paying the city a mere part of the sum owed. It succeeded in keeping the greatest part of its possessions immune from taxation, in doing which it but did what the whole of the large propertied class was doing, as was disclosed in further detailed testimony before the New York Senate Committee on Cities in 1890.

HIS WILL TRANSMITS $200,000,000

Unlike his father, William H. Vanderbilt did not bequeath the major portion of his fortune to one son. He left $50,000,000 equally to each of his two sons, Cornelius and William K. Vanderbilt. Supplementing the fortunes they already had, these legacies swelled their individual fortunes to approximately $100,000,000 each—about the same amount as their father had himself inherited. The remaining $100,000,000 was thus disposed of in William H. Vanderbilt's will: $40,000,000, in railroad and other securities, was set apart as a trust fund, the income of which was to be apportioned equally among each of his eight children. This provided them each with an annual income of $500,000. In turn, the principal was to descend to their children, as they should direct by will. Another $40,000,000 was shared outright among his eight children. The remaining $20,000,000 was variously divided: the greater part to his widow; $2,000,000 as an additional gift to Cornelius; $1,000,000 to a favorite grandson; sundry items to other relatives and friends, and about $1,000,000 to charitable and public institutions.

He was buried in a mausoleum costing $300,000 which he himself had ordered to be built at New Dorp, Staten Island; and there to-day his ashes lie, splendidly interred.

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[12] The New York Senate Committee on Cities, 1890, iii: 2355-2356.

Chapter VII

THE VANDERBILT FORTUNE IN LATER GENERATIONS

WITH the demise of William H. Vanderbilt the Vanderbilt fortune ceased being a one-man factor. Although apportioned among the eight children, the two who inherited by far the greater part of it—Cornelius and William K. Vanderbilt—were its rulers paramount. To them descended the sway of the extensive railroad systems appropriated by their grandfather and father, with all of the allied and collateral properties. Both of these heirs had been put through a punctilious course of training in the management of railroad affairs; all of the subtle arts and intricacies of finance, and the grand tactical and strategic strokes of railroad manipulation, had been drilled into them with extraordinary care.

Their first move upon coming into their inheritance was to surround themselves with the magnificence of imposing residences, as befitted their state and estate. A signatory stroke of the pen was the only exertion required of them; thereupon architects and a host of artisans yielded service and built palaces for them, for the one at Fifth avenue and Fifty-second street, for the other at Fifth avenue and Fifty-seventh street.

Millions were spent with prodigal lavishness. On his Fifth avenue mansion alone, Cornelius expended $5,000,000. To get the space for three beds of blossoms and a few square yards of turf, a brownstone house adjoining his mansion was torn down, and the garden created at an expense of $400,000. George, a brother of Cornelius and of William K. Vanderbilt, and a man of retiring disposition, spent $6,000,000 in building a palatial home in the heart of the North Carolina mountains. For three years three hundred stonemasons were kept busy; and he gradually added land to his surrounding estate until it embraced one hundred and eighty square miles. His game preserves were enlarged until they covered 20,000 acres. So, within thirty years from the time their grandfather, Commodore Vanderbilt, was extorting his original millions by blackmailing, did they live like princes, and in greater luxury and power than perhaps any of the titular princes of ancient or modern days. But the splendor of these abodes was intended merely for partial use. At their command spacious, majestic palaces arose at Newport, whither in the torrid season some of the Vanderbilts transferred their august seat of power and pleasure.

Hardly had they settled themselves down in the vested security of their great fortunes when an ominous situation presented itself to shake the entire propertied class into a violent state of uneasiness. Hitherto the main antagonistic movement perturbing the magnates was that of the obstreperous and still powerful middle class. Dazed and enraged at the certain prospect of their complete subjugation and eventual annihilation, these small capitalists had clamored for laws restricting the power of the great capitalists. Some of their demands were constantly being enacted into law, without, however, the expected results.

THE GREAT LABOR MOVEMENT OF 1886

Now, to the intense alarm of all sections of the capitalist class, a very different quality of movement reared itself upward from the deeps of the social formation.[1]

This time it was the laboring masses preparing for the most vigorous and comprehensive attack that they had ever made upon capitalism's intrenchments. Long exploited, oppressed and betrayed, starved or clubbed into intervals of apathy or submission, they were again in motion, moving forward with a set deliberation and determination which disconcerted the capitalist class. No mere local conflict of class interests was it on this occasion, but a general cohesive revolt of the workers against some of the conditions and laws under which they had to labor.

In 1884 the Federation of Trades and Labor Unions of the United States and Canada had issued a manifesto calling upon all trades to unite in the demand for an eight-hour work day. The date for a general strike was finally fixed for May 1, 1886. The year 1886, therefore, was one of general agitation throughout the United States. With rapidity and enthusiasm the movement spread. Presently it took on a radical character. Realizing it to be at basis the first national awakening of the proletariat, progressive men and women of every shade of opinion hastened forward to support it and direct it into one of opposition, not merely to a few of the evils of wage slavery, but to what they considered the fundamental cause itself—the capitalist system.

The propertied classes were not deceived. They knew that while this labor movement nominally confined itself to one for a shorter work day, yet its impetus was such that it contained the fullest potentialities for developing into a mighty uprising against the very system by which they were enabled to enrich themselves and enslave the masses.

The moment this fact was discerned, both great and small capitalists instinctively suspended hostilities. They tacitly agreed to hold their bitter warfare for supremacy in abeyance, and unite in the face of their common danger. The triangular conflict between the large and small capitalists and the trades unions now resolved into a duel between the propertied classes of all descriptions on the one hand, and, on the other, the workingmen's organizations. The Farmers' Alliance, essentially a middle-class movement of the employing farmers in the South and West, was counted upon as aligned with the propertied classes. On the part of the capitalists there was no unity of organization in the sense of selected leaders or committees. It was not necessary. A stronger bond than that of formal organization drove them into acting in conscious unison—namely, the immediate peril involved to their property interests. Apprehension soon gave way to grim decision. This formidable labor movement had to be broken and dispersed at any cost.

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[1] It may be asked why an extended description of this movement is interposed here. Because, inasmuch as it is a part of the plan of this work to present a constant succession of contrasts, this is, perhaps, as appropriate a place as any to give an account of the highly important labor movement of 1886. Of course, it will be understood that this movement was not the result of any one capitalist fortune or process, but was a general revolt to compel all forms of capitalist control to concede better conditions to the workers.

But how was the work of destruction to be done? This was the predicament. Vested wealth could succeed in bribing a labor leader here and there; but the movement had bounded far beyond the elemental stage, and had become a glowing agitation which no traitor or set of traitors could have stopped.

One effective way of discrediting and suppressing it there was; the ancient one of virtually outlawing it, and throwing against it the whole brute force of Government. The task of putting it down was preëminently one for the police, army and judiciary. They had been used to stifle many another protest of the workers; why not this? As the great labor movement rolled on, enlisting the ardent attachment of the masses, denouncing the injustices, corruption and robberies of the existing industrial system, the propertied classes more acutely understood that they must hasten to stamp it out by whatever means. The municipal and State governments and the National Government, completely representing their interests and ideas, and dominated by them, stood ready to use force. But there had to be some kind of pretext. The hosts of labor were acting peacefully and with remarkable self control and discipline.

THE PROPERTIED CLASSES STRIKE BACK

The propitious occasion soon came. It was in Chicago that the blow was struck which succeeded in discrediting the cause of the workers, stayed the progress of their movement, and covered it with a prejudice and an odium lasting for years. There, in that maddening bedlam, called a city, the acknowledged inferno of industrialism, the agitation was tensest. With its brutalities, cruelties, corruptions and industrial carnage, its hideous contrasts of dissolute riches and woe-begone poverty, its arrogant wealth lashing the working population lower and lower into squalor, pauperism and misery, Chicago was overripe for any movement seeking to elevate conditions.

In the first months of 1886, strike followed strike throughout the United States for an eight-hour day. At McCormick's reaper works in

Chicago[2] a prolonged strike of many months began in February. Determined not only to refuse shorter hours, but to force his twelve hundred wage workers to desert labor unions, McCormick drove them from his factory, hired armed mercenaries, called Pinkerton detectives, and substituted in the place of the union workers those despised irresponsibles called "scabs"—signifying laborers willing to help defeat the battles of organized labor, and, if the unions won, share in the benefits without incurring any of the responsibilities, risks or struggles. On May 1, 1886, forty thousand men and women in Chicago went on strike for an eight-hour day. Thus far, the aim of inciting violence on the part of the strikers had completely failed everywhere.

The Knights of Labor were conducting their strikes with a coolness, method and sober sense of order, giving no opportunity for the exercise of force. On May 2, a great demonstration of the McCormick workers was held near that company's factories to protest against the employment of armed Pinkertons. The Pinkerton detective bureau was a private establishment, founded during the Civil War; in the ensuing contests between labor and capital it was alleged to have made a profitable business of supplying spies and armed men to capitalists under the pretense of safeguarding property. These armed bands really constituted private armies; recruited often from the most debased and worthless part of the population, as well as from the needy and shifty, they were, it was charged, composed largely of men who would perjure themselves, fabricate evidence, provoke trouble, and slaughter without scruple for pay. Some, as was well established, were ex-convicts, others thugs, and still others were driven to the ignoble employment by necessity.[3] During the course of the meeting in the afternoon the factory bell rung, and the "scabs" were seen leaving. Some boys in the audience began throwing stones and there was hooting. Fully aware of the combustible accounts wanted by their offices, the reporters immediately telephoned exaggerated, inflammatory stories of a riot being under way; the police on the spot likewise notified headquarters.[4] Police in large numbers soon arrived; the boys kept throwing stones; and suddenly, without warning, the police drew their revolvers and indiscriminately opened a general fire upon the men, women and children in the crowd, killing four and wounding many. Terror stricken and in horror the crowd fled.

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[2] The McCormick fortune was the outgrowth, to a large extent, of a variety of frauds and corruptions. Later on in this work, the facts are given as to how Cyrus H. McCormick, the founder of the fortune, bribed Congress, in 1854, to give him a time extension of his patent rights.

[3] The prevailing view of the working class toward the Pinkerton detectives was thus expressed at the time in a chapter on the mine workers by John McBride, one of the trade union leaders: "They have awakened," he wrote, "the hatred and detestation of the workingmen of the United States; and this hatred is due, not only to the fact that they protect the men who are stealing the bread from the mouths of the families of strikers, but to the fact that as a class they seem rather to invite trouble than to allay it. . . . They are employed to terrorize the workingmen, and to create in the minds of the public the idea that the miners are a dangerous class of citizens that have to be kept down by armed force. These men had an interest in keeping up and creating troubles which gave employers opportunity to demand protection from the State militia at the expense of the State, and which the State has too readily granted."—"The Labor Movement": 264-265.

[4] In a statement published in the Chicago "Daily News," issue of May 10, 1889, Captain Ebersold, chief of police in 1886, charged that Captain Schaack, who had

There was a group of radical spirits in Chicago, popularly branded as anarchists, but in reality men of advanced ideas who, while differing from one another in economic views, agreed in denouncing the existing system as the prolific cause of bitter wrongs and rooted injustices. Sincere, self-sacrificing, intellectual, out-spoken, absolutely devoted to their convictions, burning with compassion and noble ideals for suffering humanity, they had stepped forward and had greatly assisted in arousing the militant spirit in the working class in Chicago. At all of the meetings they had spoken with an ardor and ability that put them in the front ranks of the proletarian leaders; and in two newspapers published by them, the "Alarm," in English, and the "Arbeiter Zeitung," in German, they unceasingly advocated the interests of the working class. These men were Albert R. Parsons, a printer, editor of the "Alarm;" August Spies, an upholsterer by trade, and editor of the "Arbeiter Zeitung;" Adolph Fischer, a printer; Louis Lingg, a carpenter; Samuel Fielden, the son of a British factory owner; George Engel, a painter; Oscar Neebe, a well-to-do business man, and Michael Schwab, a bookbinder. All of them were more or less deep students of economics and sociology; they had become convinced that the fundamental cause of the prevalent inequalities of opportunity and of the widespread misery was the capitalist system itself. Hence they opposed it uncompromisingly.[5]

The newspapers, voicing the interests and demands of the intrenched classes, denounced these radicals with a sinister emphasis as destructionists. But it was not ignorance which led them to do this; it was intended as a deliberate poisoning and inflaming of public opinion. Themselves bribing, corrupting, intimidating, violating laws and slaying for profit everywhere, the propertied classes ever assumed, as has so often been pointed out, the pose of being the staunch conservers of law and order. To fasten upon the advanced leaders of the labor movement the stigma of being sowers of disorder, and then judicially get rid of them, and crush the spirit and movement of the aroused proletariat—this was the plan

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been the police official most active in proceeding against the labor leaders and causing them to be executed and imprisoned, had deliberately set about concocting "anarchist" conspiracies in order to get the credit for discovering and breaking them up.

[5] The utterances of these leaders revealed the reasons why they were so greatly feared by the capitalist class. Fischer, for instance, said: "I perceive that the diligent, never-resting human working bees, who create all wealth and fill the magazines with provisions, fuel and clothing, enjoy only a minor part of this product, while the drones, the idlers, keep the warehouses locked up, and revel in luxury and voluptuousness." Engel said: "The history of all times teaches us that the oppressing always maintain their tyrannies by force and violence. Some day the war will break out; therefore all workingmen should unite and prepare for the last war, the outcome of which will be the end forever of all war, and bring peace and happiness to mankind."

determined upon. Labor leaders who confined their programme to the industrial arena were not feared so much; but Parsons, Spies and their comrades were not only pointing out to the masses truths extremely unpalatable to the capitalists, but were urging, although in a crude way, a definite political movement to overthrow capitalism. With the finest perception, fully alert to their danger, the propertied classes were intent upon exterminating this portentous movement by striking down its leaders and terrifying their followers.

THE HAYMARKET TRAGEDY

Fired with indignation at the slaughter at the McCormick meeting, Spies and others of his group issued a call for a meeting on the night of May 4, at the Haymarket, to protest against the police assaults. Spies opened the meeting, and was followed by Fielden. Observers agreed that the meeting was proceeding in perfect quiet, so quietly that the Mayor of Chicago, who was present to suppress it if necessary, went home—when suddenly one hundred and eighty policemen, with arms in readiness, appeared and peremptorily ordered the meeting to disperse. It seems that without pausing for a reply they immediately charged, and began clubbing and mauling the few hundred persons present. At this juncture a small bomb, thrown by someone, exploded in the ranks of the police, felling sixty and killing one. The police instantly began firing into the crowd.

No one has ever been able to find out definitely who threw the bomb. Suspicions were not lacking that it was done by a mercenary of corporate wealth. At Pittsburg, in 1877, as we have seen, the Pennsylvania railroad hirelings deliberately destroyed property and incited riot in order to charge the strikers with crime. In the coal mining regions of Pennsylvania, subsidized detectives had provoked trouble during the strikes, and by means of bogus evidence and packed juries had hung some labor leaders and imprisoned others.

The hurling of the bomb, whether done by a secret emissary, or by a sympathizer with labor, proved the lever which the propertied classes had been feverishly awaiting. Spies, Fielding and their comrades were at once cast into jail; the newspapers invented wild yarns of conspiracies and midnight plots, and raucously demanded the hanging of the leaders. The trifling formality of waiting until their guilt had been proved was not considered. The most significant event, however, was the secret meeting of about three hundred leading American capitalists to plan the suppression of "anarchy." Very horrified they professed themselves to be at violent outrages and destruction of property and life. Their views were given wide circulation and commendation; they were the finest types of commercial success and prestige. They were the owners of railroads that slaughtered thousands of human beings every year, because of the demands of profit; of factories which sucked the very life out of their toilers, and which filled the hospitals, slums, brothels and graveyards with an ever-increasing assemblage; every man in that conclave, as a beneficiary of the existing system, had drained his fortune from the sweat, sorrow, miseries and death agonies of a multitude of workers.[6] These were the men who came forth to form the "Citizens' Association," and within a few hours subscribed $100,000 as a fighting fund.

JUDICIAL MURDER OF LABOR'S LEADERS

The details of the trial will not be gone into here. The trial itself is now everywhere recognized as having been a tragic farce. The jury, it is clear, was purposely drawn from the employing class, or their dependents; of a thousand talesmen summoned, only five or six belonged to the working class. The malignant class nature of the trial was revealed by the questions asked of the talesmen; nearly all declared that they had a prejudice against Socialists, Anarchists and Communists. Soon the blindest could see that the conviction of the group was determined upon in advance, and that it was but the visible evidence of a huge conspiracy to terrorize the whole working class.

The theory upon which the group was prosecuted was that they were actively engaged in a conspiracy against the existing authorities, and that they advocated violence and bloodshed. No jurist would now presume to contend that the slightest evidence was adduced to prove this. But all were rushed to conviction: Spies, Parsons, Fischer, and Engel were hanged on November 11, 1887, after fruitless appeals to the higher courts; Lingg committed suicide in prison, and Fielden, Neebe and Schwab were sentenced to long terms in prison. The four executed leaders met their death with the heroic calmness of martyrdom. "Let the voice of the people be heard!" were Parsons' last words. Fielden, Neebe and Schwab might have rotted away in prison, were it not that one of the noblest-minded and most maligned men of his time, in the person of John P. Altgeld, was Governor of Illinois in 1893. Governor Altgeld pardoned them on these grounds, which he undoubtedly proved in an exhaustive review: (1) The jury was a packed one selected to convict; (2) the jurors were prejudiced; (3) no guilt was proved; (4) the State's attorney had admitted no case against Neebe, yet he had been imprisoned; (5) the trial judge (Gary) was either so prejudiced or subservient to class influence that he did not or could not give a fair trial. Even many of those who denounced Altgeld for his action, now admit that his grounds were justified.

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[6] This seems a very sweeping and extraordinarily prejudicial statement. It should be remembered, however, that these capitalists, both individually and collectively, had contested the passage of every proposed law, the aim of which was to improve conditions for the workers on the railroads and in mines and factories. Time after time they succeeded in defeating or ignoring this legislation. Although the number of workers killed or injured in accidents every year was enormous, and although the number slain by diseases contracted in workshops or dwellings was even greater, the capitalists insisted that the law had no right to interfere with the conduct of their "private business."

THE LABOR UPRISING IN NEW YORK

In the meanwhile, between the time of the Haymarket episode and the hanging and imprisonment of the Chicago group, the labor movement in New York City had assumed so strong a political form that the ruling class was seized with consternation. The Knights of Labor, then at the summit of organization and solidarity, were ripe for independent political action; the effects of the years of active propaganda carried on in their ranks by the Socialists and Single-Tax advocates now began to show fruit. At the critical time, when the labor unions were wavering in the decision as to whether they ought to strike out politically or not, the ruling class supplied the necessary vital impulsion. While in Chicago the courts were being used to condemn the labor leaders to death or prison, in the East they were used to paralyze the weapons of offense and defence by which the unions were able to carry on their industrial warfare.

The conviction, in New York City, of certain members of a union for declaring a boycott, proved the one compelling force needed to mass all of the unions and radical societies and individuals into a mighty movement resulting in an independent labor party. To meet this exigency an effort was made by the politicians to buy off Henry George, the distinguished Single-Tax advocate, who was recognized as the leader of the labor party. But this flanking attempt at bribing an incorruptible man failed; the labor unions proceeded to nominate George for Mayor, and a campaign was begun of an ardor, vigor and enthusiasm such as had not been known since the Workingmen's party movement in 1829.

The election was for local officers of the foremost city in the United States—a point of vantage worth contending for, since the moral effect of such a victory of the working class would be incalculable, even if short-lived. To the ruling classes the triumph of the labor unions, while restricted to one city, would unmistakably denote the glimmerings of the beginning of the end of their regime. Such rebellious movements are highly contagious; from the confines of one municipality they sweep on to other sections, stimulating action and inspiring emulation. The New York labor campaign of 1886 was an intrinsic part and result of the general labor movement throughout the United States. And it was the most significant manifestation of the onward march of the workers; elsewhere the labor unions had not gone beyond the stage of agitation and industrial warfare; but in New York, with the most acute perception of the real road it must traverse, the labor movement had plunged boldly into political action. It realized that it must get hold of the governmental powers. Its antagonists, the capitalists, had long had a rigid grip on them, and had used them almost wholly as they willed.

But the capitalist class was even more doggedly determined upon retaining and intensifying those powers. Government was an essential requisite to its plans and development. The small capitalists bitterly fought the great; but both agreed that Government with its legislators, laws, precedents, and the habits of thought it created, must be capitalistic. Both saw in the uprising of labor a prospective overturning of conditions.

From this identity of interest a singular concrete alliance resulted. The great capitalists, whom the middle-class had denounced as pirates, now became the decorous and orthodox "saviors of society," with the small capitalists trailing behind their leadership, and shouting their praises as the upholders of law and the conservators of order. In Chicago the same men who had bribed legislators and common councils to give them public franchises, and who had hugely swindled and stolen under guise of law, had been the principals in calling for the execution and imprisonment of the group of labor leaders, and this they had decreed in the name of law. In New York City a pretext for dealing similarly with the labor leaders was entirely lacking, but another method was found effective in the subjugation and dispersion of the movement.

CAPITALIST TRIUMPH BY FRAUD

This was the familiar one of corruption and fraud. It was a method in the exercise of which the capitalists as a class had proved themselves adepts; they now summoned to their aid all of the ignoble and subterranean devices of criminal politics.

In the New York City election of 1886 three parties contested, the Labor party, Tammany Hall and the Republican party. Steeped in decades of the most loathsome corruption, Tammany Hall was chosen as the medium by which the Labor party was to be defrauded and effaced. Pretending to be the "champion of the people's rights," and boasting that it stood for democracy against aristocracy, Tammany Hall had long deceived the mass of the people to plunder them. It was a powerful, splendidly-organized body of mercenaries and self-seekers which, by trading on the principles of democracy, had been able to count on the partisan votes of a predominating element of the wage-working class. In reality, however, it was absolutely directed by a leader or "boss," who, with his confederates, made a regular traffic of selling legislation to the capitalists, on the one hand, and who, on the other, enriched themselves by a colossal system of blackmail. They sold immunity to pickpockets, confidence men and burglars, compelled the saloonkeepers to pay for protection, and even extorted from the wretched women of the street and brothels. This was the organization that the ruling class, with its fine assumptions of respectability, now depended upon to do its work of breaking up the political labor revolt.

The candidate of Tammany Hall was the ultra-respectable Abram S. Hewitt, a millionaire capitalist. The Republican party nominated a verbose, pushful, self-glorifying young man, who, by a combination of fortuitous circumstances, later attained the position of President of the United States. This was Theodore Roosevelt, the scion of a moderately rich New York family, and a remarkable character whose pugnacious disposition, indifference to political conventionalities, capacity for exhortation, and bold political shrewdness were mistaken for greatness of personality. The phenomenal success to which he subsequently rose was characteristic of the prevailing turgidity and confusion of the popular mind. Both Hewitt and Roosevelt were, of course, acceptable to the capitalist class. As, however, New York was normally a city of Democratic politics, and as Hewitt stood the greater chance of winning, the support of those opposed to the labor movement was concentrated upon him.

Intrenched respectability, for the most part, came forth to join sanctimony with Tammany scoundrelism. It was an edifying union, yet did not comprise all of the forces linked in that historic coalition. The Church, as an institution, cast into it the whole weight of its influence and power. Soaked with the materialist spirit while dogmatically preaching the spiritual, dominated and pervaded by capitalistic influences, the Church, of all creeds and denominations, lost no time in subtly aligning itself in its expected place. And woe to the minister or priest who defied the attitude of his church! Father McGlynn, for example, was excommunicated by the Pope, ostensibly for heretical utterances, but in actuality for espousing the cause of the labor movement.

Despite every legitimate argument coupled with venomous ridicule and coercive and corrupt influence that wealth, press and church could bring to bear, the labor unions stood solidly together. On election day groups of Tammany repeaters, composed of dissolutes, profligates, thugs and criminals, systematically, under directions from above, filled the ballot boxes with fraudulent votes. The same rich class that declaimed with such superior indignation against rule by the "mob" had poured in funds which were distributed by the politicians for these frauds. But the vote of the labor forces was so overwhelming, that even piles of fraudulent votes could not suffice to overcome it. One final resource was left. This was to count out Henry George by grossly tampering with the election returns and misrepresenting them. And this is precisely what was done, if the testimony of numerous eye-witnesses is to be believed. The Labor party, it is quite clear, was deliberately cheated out of an election won in the teeth of the severest and most corrupt opposition. This result it had to accept; the entire elaborate machinery of elections was in the full control of the Labor party's opponents; and had it instituted a contest in the courts, the Labor party would have found its efforts completely fruitless in the face of an adverse judiciary.

THE LABOR PARTY EVAPORATES

By the end of the year 1887 the political phase of the labor movement had shrunk to insignificant proportions, and soon thereafter collapsed. The capitalist interests had followed up their onslaught in hanging and imprisoning some of the foremost leaders, and in corruption and fraud at the polls, by the repetition of other tactics that they had long so successfully used.

Acting through the old political parties they further insured the disintegration of the Labor party by bribing a sufficient number of its influential men. This bribery took the form of giving them sinecurist offices under either Democratic or Republican local, State or National administrations. Many of the most conspicuous organizers of the labor movement were thus won over, by the proffer of well-paying political posts, to betray the cause in the furtherance of which they had shown such energy. Deprived of some of its leaders, deserted by others, the labor political movement sank into a state of disorganization, and finally reverted to its old servile position of dividing its vote between the two capitalist parties.

From now on, for many years, the labor movement existed purely as an industrial one, disclaiming all connection with politics. Voting into power either of the old political parties, it then humbly begged a few crumbs of legislation from them, only to have a few sops thrown to it, or to receive contemptuous kicks and humiliations, and, if it grew too importunate or aggressive, insults backed with the strong might of judicial, police and military power.

When it was jubilantly seen by the coalesced propertied classes that the much-dreaded labor movement had been thrust aside and shorn, they resumed their interrupted conflict.

The small capitalist evinced a fierce energy in seeking to hinder in every possible way the development of the great. It was in these years that a multitude of middle-class laws were enacted both by Congress and by the State legislatures; the representatives of that class from the North and East joined with those of the Farmers' Alliance from the West and South. Laws were passed declaring combinations conspiracies in restraint of trade and prohibiting the granting of secret discriminative rates by the railroads. In 1889 no fewer than eighteen States passed anti-trust laws; five more followed the next year. Every one of these laws was apparently of the most explicit character, and carried with it drastic penal provisions. "Now," exulted the small capitalists in high spirits of elation, "we have the upper hand. We have laws enough to throttle the monopolists and preserve our righteous system of competition. They don't dare violate them, with the prospects of long terms in prison staring them in the face."

THE SMALL CAPITALISTS' LOSING FIGHT

The great capitalists both dared and did. If specific statutes were against them, the impelling forces of economic development and the power of might were wholly on their side. At first, the great capitalists made no attempt to have these laws altered or repealed. They adopted a slyer and more circuitous mode of warfare. They simply evaded them.

As fast as one trust was dissolved by court decision, it nominally complied, as did, for instance, the Standard Oil Trust and the Sugar Trust, and then furtively caused itself to be reborn into a new combination so cunningly sheltered within the technicalities of the law that it was fairly safe from judicial overthrow.

But the great capitalists were too wise to stake their existence upon the thin refuge of technicalities. With their huge funds they now systematically struck out to control the machinery of the two main political parties; they used the ponderous weight of their influence to secure the appointment of men favorable to them as Attorneys General of the United States, and of the States, and they carried on a definite plan of bringing about the appointment or election of judges upon whose decisions they could depend. The laws passed by the middle class remained ornamental encumbrances on the statute books; the great capitalists, although harassed continually by futile attacks, triumphantly swept forward, gradually in their consecutive progress strangling the middle class beyond resurrection.

Such was the integral impotence of the warfare of the small against the great capitalists that, during this convulsive period, the existing magnates increased their wealth and power on every hand, and their ranks were increased by the accession of new members. From the chaos of middle-class industrial institutions, one trust after another sprang full-armed, until presently there was a whole array of them. The trust system had proved itself immensely superior in every respect to the competitive, and by its own superiority it was bound to supplant the other.

Where William H. Vanderbilt had thought himself compelled to temporize with the middle class agitation by making a show of dividing the stock ownership of the New York Central Railroad, his sons Cornelius and William ignored or defied it. Utterly disdainful of the bitter feeling, especially in the West, against the consolidation of railroads in the hands of the powerful few, they tranquilly went ahead to gather more railroads in their ownership. The Cleveland, Cincinnati, Chicago and St. Louis Railroad (popularly dubbed the "Big Four") acquired by them in 1890 was one of these. It would be tiresome, however, to enter into a narrative of the complex, tortuous methods by which they possessed themselves of these railroads. By the beginning of the year 1893 the Vanderbilt system embraced at least 12,000 miles of railways, with a capitalized value of several hundred million dollars, and a total gross earning power of more than $60,000,000 a year. "All of the best railroad territory," wrote John Moody in his sketch entitled "The Romance of the Railways," "outside of New England, Pennsylvania and New Jersey was penetrated by the Vanderbilt lines, and no other railroad system in the country, with the single notable exception of the Pennsylvania Railroad, covered anything like the same amount of rich and settled territory, or reached so many towns and cities of importance, New York, Buffalo, Chicago, Cleveland, St. Louis, Cincinnati, Detroit, Indianapolis, Omaha

—these were a few of the great marts which were embraced in the Vanderbilt preserves." So impregnably rich and powerful were the Vanderbilts, so profitable their railroads, and their command of resources, financial institutions and legislation so great, that the panic of 1893 instead of impairing their fortunes gave them extraordinary opportunities of getting hold of the properties of weaker railroads.

It was now, acting jointly with other puissant interests, that they saw their chance to get control of a large part of the fabulously rich coal mines of Pennsylvania. These coal mines had originally been owned by separate companies or operators, each independent of the other. But by about the year 1867 the railroads penetrating the coal regions had conceived the plan of owning the mines themselves. Why continue to act as middlemen in transporting the coal? Why not vest in themselves the ownership of these vast areas of coal lands, and secure all the profits instead of those from merely handling the coal?

The plan ingratiated itself as a capital one; it could be easily carried out with little expenditure. All that was necessary for the railroad to do was to burden down the operators with exorbitant charges, and hamper and beleaguer them in a variety of ways.[7] As was proved in subsequent lawsuits, the railroads frequently declined to carry coal for this or that mine, on the pretext that they had no cars available. Every means was used to crush the independent operators and depreciate the selling value of their property. It was a campaign of ruination; in law it stood as criminal conspiracy; but the railroads persisted in it without any further molestation than prolix civil suits, and they finally forced a number of the well-nigh independent operators to sell out to them for comparatively trifling sums.[8]

By these methods such railroads as the Philadelphia and Reading, the Delaware, Lackawana and Western, the Central Railroad of New Jersey, the Lehigh Valley and others gradually succeeded, in the course of years, in extending an ownership over the coal mines. The more powerful independent operators struck back early at them by getting a constitutional provision passed in Pennsylvania, in 1873, prohibiting railroads from owning and operating coal mines. The railroads evaded this law with facility by an illegal system of leasing, and by organizing nominally separate and independent companies the stock of which, in reality, was owned by them.

To the men who did the actual labor of working in the mines—the coal miners—this change of ownership was not regarded with alarm. Indeed, they at first cherished the pathetic hope that it might benefit their condition, which had been desperate and intolerable enough under the old company system. The small coal-owning capitalists, who had emitted such wailings at their own oppression by the railroads, had long relentlessly exploited their tens of thousands of workers. One abuse had been piled upon another. The miners were paid by the ton; the companies had fraudulently increased the size of the ton, so that the miners had to perform much more labor while wages remained stationary or were reduced. But one of the most serious grievances was that against what were called "company or truck stores." Ingenious contrivances for getting back the miserable wages paid out, these were company-owned merchandise stores in which the miners were compelled to buy their supplies. In many collieries the mine worker was not paid in money but was given an order on the company store, where he was forced to purchase inferior goods at exorbitant prices.

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[7] See testimony before the committee to investigate the Philadelphia and Reading Railroad Company, and the Philadelphia and Reading Coal and Iron Company, Pennsylvania Legislative Docs. 1876, Vol. v, Doc. No. 2. This investigation fully revealed how the railroads detained the cars of the "independent" operators, and otherwise used oppressive methods.

[8] Spahr quoted an independent operator in 1900 as saying that the railroads charged the independents three times as much for handling hard coal as they charged for handling soft coal from the West—"America's Working People": 122-223.

To blast in the mines powder was necessary; the miner had to buy it at his own expense, and was charged $2.75 a keg, although its selling value was not more than $1.10 or 90 cents. In every direction the mine worker was defrauded and plundered. "Often," said John Mitchell, long the leader of the miners, and a compromiser whose career proves that he cannot be charged with any deep-seated antagonism to capitalist interests, "a man together with his children would work for months without receiving a dollar of money, and not infrequently he would find at the end of the month nothing in his envelope but a statement that his indebtedness to the company had increased so many dollars."[9] Mitchell added that the Legislature of Pennsylvania passed anti-truck store laws, "but the operators who have always cried out loudest against illegal action by miners openly and unhesitatingly violated the act and subsequently evaded it by various devices."[10] The wretched houses the miners occupied "also," said Mitchell, "served as a means of extortion, and, in other instances, as a weapon to be used against the miners." In case they complained or struck, the miners were evicted under the most cruel circumstances. Many other media of extortion were common. In the entire year the miners averaged only one hundred and ninety working days of ten hours each, and, of course, were paid for working time only. According to Spahr 350,000 miners drudged for an average wage of $350 a year.[11]

SEIZING RAILROADS AND COAL MINES

This system of abject slavery was in full force when the railroads ousted many of the small operators, and largely by pressure of power took possession of the miners. In vain did the miners' unions implore the railroad magnates for redress of some kind. The magnates abruptly refused, and went on extending and intrenching their authority. The Vanderbilts manipulated themselves into being important factors in the Delaware and Hudson Railroad, and in the Delaware, Lackawanna and Western Railroad, which had deviously obtained title to some of the richest coal deposits in Wyoming County, and they also became prominent in the directing of the Lehigh Valley Railroad.

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[9] "Organized Labor":359. Mitchell's comments were fully supported by the vast mass of testimony taken by the United States Anthracite Coal Commission in 1902.

[10] Ibid.

[11] "The Present Distribution of Wealth in the United States":110-111.

The most important coal-owning railroad, however, which they and other magnates coveted was the Philadelphia and Reading Railroad. At least one-half of the anthracite coal supply of Pennsylvania was owned or controlled by this railroad. The ownership of the Reading Railroad, with its subordinate lines, was the pivotal requisite towards getting a complete monopoly of the anthracite coal deposits. William H. Vanderbilt had acquired an interest in it years before, but the actual controlling ownership at this time was held by a group of Philadelphia capitalists of the second rank with their three hundred thousand shares.

Unfortunately for this group, the Philadelphia and Reading Railroad was afflicted with a president, one Arthur A. McLeod, who was not only too recklessly ambitious, but who was temerarious enough to cross the path of the really powerful magnates. With immense confidence in his plans and in his ability to carry them out, he set out to monopolize the anthracite coal supply and to make the Reading Railroad a great trunk line. To perfect this monopoly he leased some coal-carrying railroads and made "a gentlemen's agreement" with others; and in line with his policy of raising the importance of the road, he borrowed large sums of money for the construction of new terminals and approaches and for equipment.

Now, all of these plans interfered seriously with the aims and ambition of magnates far greater than he. These magnates quickly saw the stupendous possibilities of a monopoly of the coal supply—the hundreds of millions of dollars of profits it held out—and decided that it was precisely what they themselves should control and nobody else. Second, in his aim to have his own railroad connections with the rich manufacturing and heavily-populated New England districts, McLeod had arranged with various small railroads a complete line from the coal fields of Pennsylvania into the heart of New England. In doing this he overreached his mark. He was soon taught the folly of presuming to run counter to the interests of the big magnates.

AND THE WAY IN WHICH IT WAS DONE

The two powers controlling the large railroads traversing most of the New England States were the Vanderbilts and J. Pierpont Morgan. The one owned the New York Central, the other dominated the New York, New Haven and Hartford Railroad. The Pennsylvania Railroad likewise had no intention of allowing such a powerful competitor in its own province. These magnates viewed with intense amazement the effrontery of what they regarded as an upstart interloper. Although they had been constantly fighting one another for supremacy, these three interests now made common cause.

They adroitly prepared to crush McLeod and bankrupt the railroad of which he was the head. By this process they would accomplish three highly important objects; one the wresting of the Philadelphia and Reading Railroad into their own divisible ownership; second, the securing of their personal hold on the connecting railroads that McLeod had leased; and, finally, the obtaining of undisputed sovereignty over a great part of the anthracite coal mines. The warfare now began without those fanciful ceremonials, heralds or proclamations considered so necessary by Governments as a prelude to slaughter. These formalities are dispensed with by business combatants.

First, the Morgan-Vanderbilt interests caused the publication of terrifying reports that grave legislation hostile to the coal combination was imminent. The price of Reading stock on the Stock Exchange immediately declined. Then, following up their advantage, this dual alliance inspired even more ruinous reports. The credit of the Philadelphia and Reading Railroad was represented as being in a very bad state. As the railroad had borrowed immense sums of money both to finance its coal combination and to build extensive terminals and other equipment, large payments to creditors were due from time to time. To pay these creditors the railroad had to borrow more; but when the credit of the railroad was assailed, it found that its sources of borrowing were suddenly shut off. The group of Philadelphia capitalists had already borrowed large sums of money, giving Reading shares as collateral. When the market price of the stock kept going down they were called upon to pay back their loans. Declining or unable to do so, their fifty thousand shares of pledged stock were sold. This sale still more depressed the price of Reading stock.

In this group of Philadelphia capitalists were men who were reckoned as very astute business lights—George M. Pullman, Thomas Dolan, one of the street railway syndicate whose briberies of legislatures and common councils, and whose manipulation of street railways in Philadelphia and other cities were so notorious a scandal; John Wanamaker, combining piety and sharp business;—these were three of them. But they were no match for the much more powerful and wily Vanderbilt-Morgan forces. They were compelled under resistless pressure to throw over their Reading stock at a great loss to themselves. Most of it was promptly bought up by J. P. Morgan and Company and the Vanderbilts, who then leisurely arranged a division of the spoils between themselves.

This transaction (strict interpreters of the law would have styled it a conspiracy) opened a facile way for a number of extremely important changes. The Vanderbilts and the Morgan interests apportioned between them much of the ownership of the Philadelphia and Reading Railroad with its vast ownership of coal deposits and its coal carrying traffic.[12]

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[12] An investigation, in 1905, showed that the "Baltimore and Ohio Railroad and the New York Central and Hudson River Railroad owned about 43.3 per cent. of the entire capital stock of the Philadelphia and Reading Railroad Company." "Re-

The New York, New Haven and Hartford Railroad grasped the New York and New England Railroad from the Reading's broken hold, and there were further far-reaching changes militating to increase the railroad, and other possessions of both parties.[13] It was but another of the many instances of the supreme capitalists driving out the smaller fry and seizing the property which they had previously seized by fraud.[14]

The Vanderbilts' ownership at one time of a large part of the shares of railroads, which, in turn, owned and controlled the coal mines, could then be summed up as follows: Through the Lake Shore Railroad, which almost absolutely was their property, they owned $30,000,000 of shares in the Philadelphia and Reading Railroad with its stupendous anthracite coal deposits, and they possessed, for a long time, large amounts of stock in the Lehigh Valley Railroad with its unmined coal deposits of 400,000,-

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port on Discriminations and Monopolies in Coal and Oil, Interstate Commerce Commission, January 25, 1907":46.

[13] A good account of this expropriating transaction was that of Wolcott Drew, "The Reading Crash in 1903" in "Moody's Magazine" (a leading financial periodical), issue of January, 1907.

[14] One of the particularly indisputable examples of the glaring fraud by which immense areas of coal fields were originally obtained was that of the disposition of the estate of John Nicholson.

Dying in December, 1800, Nicholson left an estate embracing land, the extent of which was variously estimated at from three to five million acres. Some of the Pennsylvania legislative documents place the area at from three to four million acres, while others, notably a report in 1842, by the judiciary committee of the Pennsylvania House of Representatives, state that it was 5,000,000 acres. Nicholson was a leading figure in the Pennsylvania Land Company which had obtained most of its vast land possessions by fraud. Some of Nicholson's landed estate lay in Virginia, Kentucky, North Carolina, South Carolina, Georgia and other States, but the bulk of it was in Pennsylvania and included extensive regions containing the very richest coal deposits.

The State of Pennsylvania held a lien upon Nicholson's estate for unpaid taxes amounting to $300,000. Notwithstanding this lien, different individuals and corporations contrived to get hold of practically the whole of the estate in dispute. How they did it is told in many legislative documents; the fraud and theft connected with it were a great scandal in Pennysylvania for forty-five years. We will quote only one of these documents. Writing on January 24, 1842, to William Elwell, chairman of the Judiciary Committee of the Pennsylvania House of Representatives, Judge J. B. Anthony, of the Nicholson Court (a court especially established to pass upon questions arising from the disposition of the estate), said:

"On the 11th of April, 1825, an act passed the Governor to appoint agents to discover and sell the Nicholson lands at auction, for which they were allowed *twenty-five per cent.* A Special Board of Property was also formed to compromise and settle with claimants. From what has come to my knowledge in relation to this Act, I am satisfied that the commonwealth was seriously injured by the manner in which it was carried out by some of the agents. It was made use of principally for the benefit of land speculators; and the very small sums received by the State treasurer for large and valuable tracts sold and compromised, show that the cunning and astute land jobbers could easily overreach the Board of Property at Harrisburg. . . . Many instances of gross fraud might be enumerated, but it would serve no useful purpose." Judge Anthony further said that "very many of the most influential, astute and intelligent inhabitants" and "gentlemen of high standing" were participants in the frauds.—Pennsylvania House Journal, 1842, Vol. ii, Doc. No. 127:700-704.

000 tons. In 1908 they disposed of their Lehigh Valley Railroad ownings, receiving an equivalent in either money or some other form of property. The ownership of the Delaware, Lackawana and Western Railroad with its equally large unmined coal deposits was divided between the Vanderbilt family and the Standard Oil interests. The Vanderbilts, according to official reports, also owned heavy interests in the Delaware and Hudson Railroad, the New York, Ontario and Western Railroad, $12,500,000 of stock in the Chesapeake and Ohio Railroad, and large amounts of stock in other coal mining and coal carrying railroads.[15]

THE DICTATION OF THE COAL FIELDS

The Vanderbilt and the Morgan interests at once increased the price of anthracite coal, adding to it $1.25 to $1.35 a ton. In 1900 they appeared in the open with a new and gigantic plan of consolidation by which they were able to control almost absolutely the production and prices. That the Vanderbilt family and the Morgan interests were the main parties to this combination was well established.[16] Already high, a still heavier increase of price at once was put on the 40,000,000 tons of anthracite then produced, and the price was successively raised until consumers were taxed seven times the cost of production and transportation.

The population was completely at the mercy of a few magnates; each year, as the winter drew on, the Coal Trust increased its price. In the needs and suffering of millions of people it found a ready means of laying on fresher and heavier tribute. By the mandate of the Coal Trust, housekeepers were taxed $70,000,000 in extra impositions a year, in addition to the $40,000,000 annually extorted by the exorbitant prices of previous years. At a stroke the magnates were able to confiscate by successive grabs the labor of the people of the United States at will. Neither was there any redress; for those same magnates controlled all of the ramifications of Government.

What, however, of the workers in the mines? While the combination was high-handedly forcing the consumer to pay enormous prices, how was it acting toward them? The railroads made little concealment of their hostility to the trades unions, and refused to grant reforms or concessions. Consequently a strike was declared in 1900 by which the mine workers obtained a ten per cent. increase in wages and the promise of semi-monthly wages in cash. But they had not resumed work before they discovered the hollowness of these concessions. Two years of futile application for better conditions passed, and then, in 1902, 150,000 men and boys went on strike. This strike lasted one hundred and sixty-three days. The magnates were generally regarded as arrogant and defiant; they contended that they had nothing to arbitrate;[17] and only yielded to an arbitration board when President Theodore Roosevelt threatened them with the full punitive force of Government action.

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[15] See Special Report No. 1 of the Interstate Commerce Commission on Intercorporate Relationship of Railroads:39. Also Carl Snyder's "American Railways as Investments":473.

[16] Final Report of the U. S. Industrial Commission, 1902, xix: 462-463.

By the decision of this board the miners secured an increase of wages (which was assessed on the consumer in the form of higher prices) and several minor concessions. Writing a few years later, Dr. Peter Roberts, who if anything, was not partial to the working class, stated that the wages of the contract miners were (in 1907) about $600 a year, while adults in other classes of mine workers, who formed more than sixty per cent. of the labor forces, did not receive an annual wage of $450. Yet Roberts quoted the Massachusetts Bureau of Statistics as saying that "a family of five persons requires $754 a year to live on." The average number in the family of a mine worker is five or six. "This small income," Roberts observed, "drives many of our people to live in cheap and rickety houses, where the sense of shame and decency is blunted in early youth, and where men cannot find such home comforts as will counteract the attractions of the saloon." Hundreds of company houses, according to Roberts, were unfit for habitation, and "in the houses of mine employees, of all nationalities, is an appalling infant mortality."[18]

THE BITUMINOUS COAL MINES ALSO

The sway of the Vanderbilts, however, extended not only over the anthracite, but over a great extent of the bituminous coal fields in Pennsylvania, Maryland, West Virginia, Ohio and other States. By their control of the New York Central Railroad, they owned various ostensibly independent bituminous coal mining companies. The Clearfield Corporation, the Pennsylvania Coal and Coke Co., and the West Branch Coal Company were some of these. By their great holdings in other railroads traversing the soft coal regions, the Vanderbilts controlled about one-half of the bituminous coal supply in the Eastern, and most of the Middle-Western, States.

According to the Interstate Commerce Commission's report, in 1907, the New York Central Railroad and the Pennsylvania Railroad owned in that year about forty-five per cent. of the stock of the Chesapeake and Ohio Railroad, and the New York Central owned large amounts of stock in other railroads. "The Commission, therefore, reaches the conclusion," the report read on after going into the question of ownership in detail, "that, as a matter of fact, the Baltimore and Ohio Railroad Company, the Norfolk and Western Railroad Company, and the Philadelphia and Reading Railway Company were practically controlled by the Pennsylvania Railroad Company and the New York Central and Hudson River Railroad Company, and that the result was to practically abolish substantial competition between the carriers of coal in the territories under consideration."

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[17] It was on this occasion that George F. Baer, president of the Philadelphia and Reading Railroad, in scoring the public sympathy for the strikers, justified the attitude of the railroads in his celebrated utterance in which he spoke "of the Christian men and women to whom God in His infinite wisdom has intrusted the property interests of the country," which alleged divine sanction he was never able to prove.

[18] "The Anthracite Coal Communities": 346-347.

It is not possible here to present even in condensed form the outline, much less the full narrative, of the labyrinth of tricks, conspiracies and frauds which the railroad magnates resorted to in the throttling of the small capitalists, and in guaranteeing themselves a monopoly. A great array of facts are to be found in the reports of the exhaustive investigations made by the United States Industrial Commission in 1901-1902, and by the Interstate Commerce Commission in 1907.

Thousands of times was the law glaringly violated, yet the magnates were at all times safe from prosecution. Periodically the Government would make a pretense of subjecting them to an inquiry, but in no serious sense were they interfered with. These investigations all showed that the railroads first crushed out the small operators by a conspiracy of rates, blockades and reprisals, and then by a juggling process of stocks and bonds, bought in the mines with the expenditure of scarcely any actual money. Having done this they formed a monopoly and raised prices which, in law, was a criminal conspiracy. The same weapons used against the small coal operators were still being employed against the few independent companies remaining in the coal fields, as was disclosed, in 1908, in the suit of the Government to dissolve the workings of the various railroad companies in the anthracite coal combination.[19]

THE HUGE PROFITS FROM THE COAL MINES

No one knows or can ascertain the exact profits of the Vanderbilts and of other railroad owners from their control of both the anthracite, and largely the bituminous, coal mines. As has been noted, the railroad magnates cloud their trail by operating through subsidiary companies. That their extortions reached hundreds of millions of dollars every year was a patent enough fact. Some of the accompaniments of this process of extortion have been referred to;—the confiscation, on the one hand, of the labor of the whole consuming population by taxing from them more and more of the products of their labor by repeated increases in the price of coal, and, on the other, the confiscation of the labor of the several hundred thousand miners who were compelled to work for the most precarious wages, and in conditions worse, in some respects, than chattel slavery.

But not alone was labor confiscated. Life was also immolated. The yearly sacrifice of life in the coal mines of the United States has been great. The report for 1908 of the United States Geological Survey showed that 3,125 coal miners were killed by accidents in the current year, and that 5,316 were injured. The number of fatalities was 1,033 more than in 1906. "These figures," the report explained, "do not represent the full extent of the disasters, as reports were not received from certain States having no mine inspectors." To give some adequate idea of the continuing number of fatalities in coal mines, let us take the figures for the eighteen years from 1915 to 1933. In that period a total of 29,766 employees were killed, and a very large number injured. From 1869 to 1932 there were thirty-two great disasters in American coal mines, causing the deaths of thousands of men. Coal-mine gas was partly responsible, but much of the responsibility could be laid to coal mine owners who violently opposed the passage of laws drafted to afford greater safeguard for life in the working of the mines.

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[19] See testimony brought out before Charles H. Guilbert, Examiner appointed by the United States District Court in Philadelphia. The Government's petition charged the defendants with entering into a conspiracy contrary to the letter and the spirit of the Sherman act.

Improvements were expensive; human life was contemptibly cheap; so long as there was a surplus of labor it was held to be commercial folly to go to the unnecessary expense of protecting an article of merchandise which could be had so cheaply. Human tragedies did not enter into the making of profit and loss accounts; outlays for mechanical appliances did. Profits took precedence over every other consideration.

Chapter VIII

FURTHER ASPECTS OF THE VANDERBILT FORTUNE

The juggling of railroads and the virtual seizure of coal mines were by no means the only accomplishments of the Vanderbilt family in the years under consideration. Colorless as was the third generation, undistinguished by any marked characteristic, extremely commonplace in its conventions, it yet proved itself a worthy successor of Commodore Vanderbilt. The lessons he had taught of how to appropriate wealth were duly followed by his descendants, and all of the ancestral methods were closely adhered to by the third generation. Whatever might be its pretensions to a certain integrity and to a profound respectability, there was really no difference between its methods and those of the Commodore. Times had changed; that was all. What had once been regarded as outright theft and piracy were now cloaked under high-sounding phrases as "corporate extension" and "high finance" and other catchwords calculated to lull public suspicion and resentment. A refinement of phraseology had set in; and it served its purpose.

Concomitantly, while executing the transactions already described, the Vanderbilts of the third generation put through many others, both large and small, which were converted into further heaps of wealth. An enumeration of all of these diverse frauds would necessitate a tiresome presentation. A few examples will suffice.

The small frauds were but lesser in relation to the larger. At this period of the economic development of the country, when immense thefts were being consummated, a fraud had to rise to the dignity of at least fifty million dollars to be regarded a large one. The law, it is true, proscribed any theft involving more than $25 as grand larceny, but it was law applying to the poor only, and operative on them exclusively. The inordinately rich were beyond all law, seeing that they could either manufacture it, or its interpretation, at will. Among the conspicuous, audacious capitalists the fraud of a few paltry millions shrank to the modesty of a small, cursory, off-hand operation. Yet, in the aggregate, these petty frauds constituted great results, and for that reason were valued accordingly.

AN $8,000,000 AREA CONFISCATED

Such a slight fraud was, for instance, the Vanderbilts' confiscation of an entire section of New York City. In 1887 they decided that they had urgent and particular need for railroad yard purposes of a sweep of streets from Sixtieth street to Seventy-second street along the Hudson River Railroad division. What if this property had been bought, laid out and graded by the city at considerable expense? The Vanderbilts resolved to have it and get it for nothing. Under special forms of law dictated by them they thereupon took it. The method was absurdly easy.

Ever compliant to their interests, and composed as usual of men retained by them or responsive to their influences, the Legislature of 1887 passed an act compelling the city authorities to close up the required area of streets. Then the city officials, fully as accommodating, turned the property over to the exclusive, and practically perpetual, use of the New York Central and Hudson River Railroad. With the profusest expressions of regard for the public interests, the railroad officials did not in the slightest demur at signing an agreement with the municipal authorities. In this paper they pledged themselves to coöperate with the city in conferring upon the Board of Street Openings the right to reopen any of the streets at any time. This agreement was but a decoy for immediate popular effect. No such reopening ordinance was ever passed; the streets remained closed to the public which, theoretically at least, was left with the title. In fact, the memorandum of the agreement strangely disappeared from the Corporation Counsel's office, and did not turn up until twenty years later, when it was accidentally and most mysteriously discovered in the Lenox Library. Whence came it to this curious repository? The query remains unanswered.

For seventeen and a half acres of this confiscated land, comprising about three hundred and fifty city lots, later valued at a round $8,000,000, the New York Central and Hudson River Railroad did not pay a cent in rental or taxes after the act of 1887 was passed. On the island of Manhattan alone 70,000 poor families were every year evicted for inability to pay rent—a continuous and horribly tragic event well worth comparing with the preposterous facility with which the great possessing classes everywhere either bought or defied law, and confiscated when it suits them. So cunningly drafted was the act of 1887 that while New York City was obliged to give the exclusive use of this large stretch of property to the company, yet the title to the property—the empty name—remained vested in the city. This being so, a corporation counsel complaisantly decided that the railroad company could not be taxed so long as the city owned the title.[1]

Another of what may be called—for purposes of distinction—the numerous small depredations at this time, was that foisting upon New York City the cost of replacing the New York Central's masonry viaduct approaches with a fine steel elevated system. This fraud cost the public treasury about $1,200,000, quite a sizable sum, it will be admitted, but one nevertheless of pitiful proportions in comparison with previous and later transactions of the Vanderbilt family.

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[1] Minutes of the New York City Board of Estimate and Apportionment—Financial and Franchise Matters, 1907:1071-1085. "It will thus be seen," reported Harry P. Nichols, Engineer-in-Charge of the Franchise Bureau, "that the railroad is at present, and has been for twenty years, occupying more than three hundred city lots, or something less than twenty acres, without compensation to the city."

We have seen how, in 1872, Commodore Vanderbilt put through the Legislature an act forcing New York City to pay $4,000,000 for improving the railroad's roadway on Park avenue. His grandsons now repeated his method. In 1892 the United States Government was engaged in dredging a ship canal through the Harlem River. The Secretary of War, having jurisdiction of all navigable waters, issued a mandate to the New York Central to raise its bridge to a given height, so as to permit the passing under of large vessels.

To comply with this order it was necessary to raise the track structure both north and south of the Harlem River. Had an ordinary citizen, upon receiving an order from the authorities to make improvements or alterations in his property, attempted to compel the city to pay all or any part of the cost, he would have been laughed at or summarily dealt with. The Vanderbilts were not ordinary property holders. Having the power to order legislatures to do their bidding, they now proceeded to imitate their grandfather, and compel the city to pay the greater portion of the cost of supplying them with a splendid steel elevated structure.

PUBLIC TAXATION TO SUPPLY PRIVATE CAPITAL

The Legislature of 1892 was thoroughly responsive. This was a Legislature which was not merely corrupt, but brazenly and frankly so, as was proved by the scandalous openness with which various spoliative measures were rushed through.

An act was passed compelling New York City to pay one-half of the cost of the projected elevated approaches up to the sum of $1,600,000. New York City was thus forced to pay $800,000 for constructing that portion south of the Harlem River. If, so the law read on, the cost exceeded the estimate of $800,000, then the New York Central was to pay the difference. Additional provision was made for the compelling of New York City to pay for the building of the section north of the Harlem River. But who did the work of contracting and building, and who determined what the cost was? The railroad company itself. It charged what it pleased for material and work, and had complete control of the disbursing of the appropriations. The city's supervising commissions had, perforce, to accept its arbitrary demands, and lacked all power to question, or even scrutinize, its reports of expenditures. Apart from the New York Central's officials, no one knows what the actual cost was, except as stated by the company.

South of the Harlem River this reported cost was $800,000, north of the Harlem River $400,000. At practically no expense to themselves, the Vanderbilts obtained a massive four-track elevated structure, running for miles over the city streets. The people of the city of New York were forced to bear a compulsory taxation of $1,200,000 without getting the slightest equivalent for it. The Vanderbilts own these elevated approaches absolutely; not a cent's worth of claim or title have the people in them. Together with the $4,000,000 of public money extorted by Commodore Vanderbilt in 1872, this sum of $1,200,000 makes a total amount of $5,200,000 plucked from the public treasury under form of law to make improvements in which the people who have footed the bill have not a moiety of ownership.[2] The Vanderbilts have capitalized these terminal approaches as though they had been built with private money.[3]

At this point a significant note may be made in passing. While these and other huge frauds were going on, Cornelius Vanderbilt was conspicuously presenting himself as a most ardent "reformer" in politics. He was, for instance, a distinguished member of the Committee of Seventy, organized in 1894, to combat and overthrow Tammany corruption! Such, as we have repeatedly observed, was the quality of some of the men who composed the reform movements. They won applause and respectability by virtuously denouncing petty, vulgar political corruption which they themselves often instigated, and thus they diverted attention from their own extensive rascality.

A MULTITUDE OF ACQUISITIONS

Why tempt exhaustion by lingering upon a multitude of other operations which went to increase the wealth and possessions of the Vanderbilt family? One after another—often several simultaneously—they were put through, sometimes surreptitiously, again with overt effrontery. Legislative measures in New York and many other States were drafted with such skill that sly provisions allowing the greatest frauds were concealed in the enactments; and the first knowledge that the plundered public frequently had of them was after they had already been accomplished. These frauds comprised corrupt laws that gave, in circumstances of notorious scandal, tracts of land in the Adirondack Mountains to railroad companies included in the Vanderbilt system. They embraced laws, and still more laws, exempting this or that stock or property from taxation, and laws making presents of valuable franchises and allowing further consolidations. Laws were enacted in New York State the effects of which were to destroy the Erie Canal (which has cost the people of New York State $100,000,000) as a competitor of the New York Central Railroad. All of these and many other measures will be skimmed over by a simple reference, and attention focussed on a particularly large and notable transaction by which William K. Vanderbilt in 1898 added about $50,000,000 to his fortune at one superb swoop.

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[2] The facts as to the expenses incurred under the act of 1892 were stated to the author by Ernest Harvier, a member of the Change of Grade Commission representing New York City in supervising the work.

[3] The New York Central has long compelled the New York, New Haven and Hartford Railroad to pay seven cents toll for every passenger transported south of Woodlawn, and also one-third of the maintenance cost, including interest, of the terminal. In reporting an effort of the New York, New Haven and Hartford Railroad to have these terms modified, the New York Times stated in its financial columns, issue of December 25, 1908: "As matters now stand the New Haven, without its consent, is forced to bear one-third of the charge arising from *the increased capital invested in the Central's terminal.*"

When, in 1931, the New York Central Railroad Company applied to the Public Service Commission for a 40 per cent increase in commutation fares, it gave as a main ground the valuation of its terminal property. The total value of the Grand Central Terminal zone extending to 59th Street, it valued at $84,335,726. Nowhere, however, either in the application or in the hearings was the fact brought out that considerable of the funds used to provide the company with its terminal and approaches into the city were public funds, the proceeds of mandatory taxation.

The Vanderbilt ownership of various railroad systems has been of an intricate, roundabout nature. A group of railroads, the majority of the stock of which was actually owned by the Vanderbilt family, were nominally put under the ownership of different, and apparently distinct, railroad companies. This devious arrangement was intended to conceal the real ownership, and to have a plausible claim in counteracting the charge that many railroads were concentrated in one ownership, and were combined in monopoly in restraint of trade. The plan ran thus: The Vanderbilts owned the New York Central and Hudson River Railroad. In turn this railroad, as a corporation, owned the greater part of the $50,000,000 stock of the Lake Shore Railroad. The Lake Shore, in turn, owned the control, or a chief share of the control, of other railroads, and thus on.

In 1897, William K. Vanderbilt began clandestinely campaigning to combine the New York Central and the Lake Shore under one definite, centralized management. This plan was one in strict harmony with the trend of the times, and it had the undoubted advantage of promising to save large sums in managing expenses. But this anticipated retrenchment was not the main incentive. A dazzling opportunity was presented of checking in an immense amount in loot. The grandson again followed his eminent grandfather's teachings; his plan was nothing more than a repetition of what the old Commodore had done in his consolidations.

During the summer and fall of 1897 the market gymnastics of Lake Shore stock were cleverly manipulated. By the declaration of a seven per cent. dividend the market price of the stock was run up from 115 to about 200. The object of this manipulation was to have a justification for issuing $100,000,000 in three and one-half per cent. New York Central bonds to buy $50,000,000 of Lake Shore seven per cent. capital stock. By his personal manipulation, William K. Vanderbilt at the same time ballooned the price of New York Central stock.

The purpose was kept a secret until shortly before the plan was consummated on February 4, 1898. On that day William K. Vanderbilt and his subservient directors of the New York Central gathered their corpulent and corporate persons about one table and voted to buy the Lake Shore stock. With due formalities they then adjourned, and moving over to another table, declared themselves in meeting as directors of the Lake Shore Railroad, and solemnly voted to accept the offer.

Presently, however, an awkward and slightly annoying defect was discovered. It turned out that the Stock Corporation law of New York State specifically prohibited the bonded indebtedness of any corporation being more than the value of the capital stock. This discovery was not disconcerting; the obstacle could be easily overcome with some well-distributed generosity. A bill was quickly drawn up to remedy the situation, and hurried to the Legislature then in session at Albany. The Assembly balked and ostentatiously refused to pass it. But after the lapse of a short time the Assembly saw a great new light, and rushed it through on March 3, on which same day it passed the Senate. It was at this precise time that a certain noted lobbyist at Albany somehow showed up, it was alleged, with a fund of $500,000, and members of the Assembly and Senate suddenly revealed evidences of being unusually flush with money.[4]

A very illuminating transaction, surely, and well deserving of philosophic comment. This, however, will be eschewed, and attention next turned to the manner in which the Vanderbilts, in 1899, obtained control of the Boston and Albany Railroad.

THE BOSTON AND ALBANY RAILROAD BECOMES THEIRS

To a great extent this railroad had been built with public funds raised by enforced taxation, the city of Albany contributing $1,000,000, and the State of Massachusetts $4,300,000 of public funds. Originally it looked as if the public interests were fully conserved. But gradually, little by little, predatory corporate interests got in their delicate work, and induced successive legislatures and State officials to betray the public interests. The public holdings of stock were entirely subordinated, so that in time a private corporation secured the practical ownership.

Finally, in 1899, the Legislature of Massachusetts effaced the last vestige of State ownership by giving the Vanderbilts a perpetual lease of this richly profitable railroad for a scant two million dollars' payment a year. During the debate over this act Representative Dean charged in the Legislature that "it is common rumor in the State House that members are receiving $300 apiece for their votes." The acquisition of this railroad enabled the New York Central to make direct connection with Boston, and with much of the New England coast, and added about four hundred miles to the Vanderbilt system.

To pay interest and dividends on the hundreds of millions of dollars of inflated bonds and stock which three generations of the Vanderbilts had issued, and to maintain and enhance their value, it was necessary to keep on increasingly extorting revenues. The sources of the profits were palpable. Time after time freight rates were raised, as was more than sufficiently proved in various official investigations, despite denials. Conjunctively with this process, another method of extortion was the ceaseless one of beating down the wages of the workers to the very lowest point at which they could be hired. While the Vanderbilts and other magnates were manufacturing law at will, and boldly appropriating, under sanction of law, colossal possessions in real and personal property, how was the law, as embodied in legislatures, officials and courts, acting toward the working class?

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[4] The author was so informed by an official who represented New York City's legal interests at this session and successive Legislative sessions, and who was thoroughly conversant with every move. See Chapter 80, Laws of 1898, Laws of New York, 1898, ii:142. The amendment declared that Section 24 of the Stock Corporation Law did not apply to a railroad corporation.

THE GOVERNMENT AN ENGINE OF TYRANNY

The grievances and protests of the workers aroused no response save the ever-active one of contumely, coercion and violent reprisals. The treasury of Nation, States and cities, raised by a compulsory taxation falling heavily upon the workers, was at all times at the complete disposal of the propertied interests, who emptied it as fast as it was filled. The propertiless and jobless were left to starve; to them no helping arm was outstretched, and if they complained, no quarter given. The State as an institution, while supported by the toil of the producers, was wholly a capitalist State with the capitalists in complete supremacy to fashion and use it as they chose. They used the State political machinery to plunder the masses, and then, at the slightest tendency on the part of the workers to resist these crushing injustices and burdens, called upon the State to hurry out its armed forces to repress this dangerous discontent.

In Buffalo, in 1890-1891, thirty-one in every hundred destitutes were impoverished because of unemployment, and in New York City twenty-nine in every hundred.[5] Hundreds of millions of dollars of public funds were given outright to the capitalists, but not a cent appropriated to provide work for the unemployed. In the panic of 1893, when millions of men, women and children were out of work, the machinery of government, National, State and municipal, proffered not the least aid, but, on the contrary, sought to suppress agitation and prohibit meetings by flinging the leaders into jail. Basing his conclusions upon the (Aldrich) United States Senate Report of 1893—a report highly favorable to capitalist interests, and not unexpectedly so, since Senator Aldrich was the recognized Senatorial mouthpiece of the great vested interests—Spahr found that the highest daily wage for all earners, taken in a mass, was $2.04.[6]

More than three-quarters of all the railroad employees in the United States received less than two dollars a day. Large numbers of railroad employees were forced to work from twelve to fourteen hours a day, and their efficiency and stamina thus lowered. Periodically many were laid off in enforced idleness; and appalling numbers were maimed or killed in the course of duty.[7] Injured or slain largely because the railroad corporations refused to expend money in the introduction of improved automatic coupling devices, these workers or their heirs were next confronted by what? The unjust and oppressive provisions of worthless employers' liability laws drafted by corporation attorneys in such a form that the worker or his family generally had almost no claim. The very judges deciding these suits were, as a rule, put on the bench by the railroad corporations.

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[5] "Encyclopedia of Social Reform," Edition of 1897: 1073.

[6] "The Present Distribution of Wealth in The United States."

[7] The report of the Wisconsin Railway Commissioners for 1894, Vol. xiii., says:

MACHINE GUNS FOR THE OVERWORKED

These deadly conditions prevailed on the Vanderbilt railroads even more than on any others; it was notorious that the Vanderbilt system was not only managed in semi-antiquated ways so far as the operation was concerned, but also that its trainmen were terribly underpaid and overworked.[8] In reply to a continued agitation for better hours on the part of the Vanderbilt employees, the New York Legislature passed an act, in 1892, which apparently limited the working hours of railroad employees to ten a day. There was a gleam of sunshine, but lo! when the act was critically examined after it had become a law, it was found that a "little joker" had been sneaked into its mass of lawyers' terminology. The surreptitious clause ran to this effect: That railroad companies were permitted to exact from their employees overtime work for extra compensation. This practically made the whole law a negation.

So it turned out; for in August, 1892, the switchmen employed by various railroad lines converging at Buffalo struck for shorter hours and more pay. The strike spread, and was meeting with tactical success; the strikers easily persuaded men who had been hired to fill their jobs to quit. What did the Vanderbilts and their allies now do? They fell back upon the old ruse of invoking armed force to suppress what they proclaimed to be violence. They who had bought law and had violated the law incessantly now represented that their property interests were endangered by "mob violence," and prated of the need of soldiers to "restore law and order." It was a serviceable pretext, and was immediately acted upon.

The Governor of New York State obediently ordered out the entire State militia, a force of 8,000 and dispatched it to Buffalo. The strikers were now confronted with bayonets and machine guns. The soldiery summarily stopped the strikers from picketing, that is to say, from at-

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"In a recent year more railway employees were killed in this country than three times the number of Union men slain at the battle of Lookout Mountain, Missionary Ridge and Orchard Knob combined. . . . In the bloody Crimean War, the British lost 21,000 in killed and wounded—not as many as are slain, maimed and mangled among the railroad men of the country in a single year." Various reports of the Interstate Commerce Commission stated the same facts.

[8] "Semi-antiquated ways." The "Railway Age Gazette," issue of January, 1909, styled the New York Central's directors as mostly "concentrated absurdities, physically incompetent, mentally unfit, or largely unresident and inattentive."

tempting to persuade strikebreakers to refrain from taking their places. Against such odds the strike was lost.

If, however, the Vanderbilts could not afford to pay their workers a few cents more in wages a day, they could afford to pay millions of dollars for matrimonial alliances with foreign titles. The preliminaries were settled by lawyers.[9]

TEN MILLIONS FOR A DUKEDOM

The announcement was made in 1895 that "a marriage had been arranged" between Consuelo, a young daughter of William K. Vanderbilt, and the Duke of Marlborough. An affidavit filed in the Surrogate's Court at Riverhead, L. I., twenty-eight years later—on March 13, 1923—revealed that at the time of the marriage, William K. Vanderbilt set aside $2,500,000 in the form of 50,000 shares of railroad stock as a trust fund, the income of which was to be paid to the Duke of Marlborough during his lifetime and to his heirs after his death. The affidavit was made to show that none of the assignments of money and stock made were in anticipation of death, a forestalling forbidden by the inheritance tax law. The marriage agreement, a long document, dated November 6, 1895, began: "Between the Most Noble Charles Richard John, Duke of Marlborough, of Blenheim Palace, in the County of Oxford, England, party of the first part, and William Kissam Vanderbilt of Oakland, in the county of Suffolk, N. Y., Esq., of the second part, Consuelo Vanderbilt, party of the third part, and the Hon. Ivor Churchill Guest of Arlington Street, in the County of Middlesex, England and Mr. Vanderbilt, their trustees, of the fourth part. Whereas, a marriage is intended between the said Duke of Marlborough and the said Consuelo Vanderbilt, and whereas pursuant to an agreement made upon the treaty for the said intended marriage, the sum of $2,500,000 in 50,000 shares of the capital stock of the Beech Creek Railway Company, on which an annual payment of 4 per cent is guaranteed by the New York Central Railroad Company, is transferred this day to the trustees. And shall during the joint lives of the said Duke of Marlborough, Consuelo Vanderbilt, pay the income of the said sum of $2,500,000 . . . unto the Duke of Marlborough for his life, and from and after the death of the said Duke of Marlborough shall pay the income of the said trust fund unto the said Consuelo Vanderbilt for her life," etc. etc.

The wedding ceremony was one of showy splendor; millions of dollars in gifts were lavished upon the couple. Other millions in cash went to rehabilitate and maintain Blenheim House, with its prodigal cost of reconstruction, its retinue of two hundred servants, and its annual expense roll of $100,000. Millions more flowed out from the Vanderbilt exchequer in defraying the cost of yachts and of innumerable appurtenances and luxuries. Not less than $2,500,000 was spent in building Sutherland House in London. Great as was this expense, it was not so serious as to perturb the duchess' father; his $50,000,000 feat of financial legerdemain, in 1898, alone far more than made up for these extravagant outlays. The Marlborough title was an expensive one; it turned out to be a better thing to retain than the man who bore it; after a thirteen years' compact, the couple decided to separate for "good and sufficient reasons."

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[9] More than 500 American women married titled foreigners. The sum of about $220,000,000, it was estimated (1909), followed them to Europe. Since that time no further specific list has been prepared, but it is a matter of common knowledge that up to this year (1936) the process has continued, and further great sums have been exchanged for titles.

The sequel, it may be interpolated here, came in 1926, when the Duchess of Marlborough obtained from the Catholic Diocesan Court at Southwark, England, a decree annulling the marriage. On that occasion she, in an interview published in The People, of London, vigorously denied an imputation that she had been forced into a loveless marriage because of the social aspiration of her parents. She said: "I may have been a little romantic and consequently over-enthusiastic at the time . . . but I want you to be clear that the step was mine, and that I alone was responsible for it. Disillusionment came soon, and probably I paid for my girlish enthusiasm, but that again is my business and does not concern the public." Under the ironclad provisions of the marriage contract. Marlborough, it was reported, had received $3,100,000 and notwithstanding the marriage annulment, was still receiving $100,000 annually. However, Consuelo Vanderbilt had a fortune independent of him.

Gladys Vanderbilt, a daughter of Cornelius, likewise allied herself with a title by marrying, in 1908, Count Laslo Szechenyi, a sprig of the Hungarian feudal nobility. "The wedding," naively reported a scribe, "was characterized by elegant simplicity, and was witnessed by only three hundred relatives and intimate friends of the bride and bridegroom." The "elegant simplicity" consisted of gifts, the value of which was estimated at fully a million dollars, and a costly ceremony. If the bride had beauty, and the bridgroom wit, no mention of them was made; the one fact conspicuously emphasized was the all-important one of the bride having a fortune "in her own right" of about $12,000,000.

The precise sum which made the Count eager to share his title, no one knew except the parties to the transaction. Her father had died, in 1899, leaving a fortune nominally reaching about $100,000,000. Its actual proportions were much greater. It had long been customary on the part of the very rich, as the New York State Board of Tax Commissioners pointed out, in 1903, to evade the inheritance tax in advance by various fraudulent devices. One of these was to inclose stocks or money in envelopes and apportion them among the heirs, either at the death bed, or by subsequent secret delivery.[10]

Like his father, Cornelius Vanderbilt had died of apoplexy. In his will he had cut off his eldest son, Cornelius, with but a puny million dollars. And the reason for this parental sternness? He had disapproved of Cornelius' choice in marriage. To his son, Alfred, the unrelenting multimillionaire left the most of his fortune, with a showering of many millions upon his widow, upon Reginald, another son, and upon his two daughters. Cornelius objected to the injustice and hardship of being left a beggar with but a scanty million, and threatened a legal contest, whereupon Alfred, pitying the dire straits to which Brother Cornelius had been reduced, presented him with six or seven millions with which to ease the biting pangs of want.

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[10] See Annual Report of the New York State Board of Tax Commissioners, New York Senate Document, No. 5, 1903:10.

Marriages with titled foreigners proved a drain upon the Vanderbilt fortune. The American marriages, on the other hand, contracted by this family, interlinked other great fortunes with theirs.

One of the Vanderbilt buds, Gertrude, in 1896, married Harry Payne Whitney, whose father, William C. Whitney, left a large fortune.

MESSRS. WHITNEY AND RYAN

The career of William C. Whitney is well worth summarizing here, and the narration necessarily brings in reference to another notable multimillionaire fortune. Born at Conway, Mass., in 1841, Whitney was a graduate of Yale and of Harvard Universities, took up law practice in New York City, and, as a reform Democrat, helped organize The Young Men's Democratic Club to fight the corruption of the Tweed regime. He became New York City Corporation Counsel, and was Secretary of the Navy, in 1885-1889, under President Cleveland. His first wife was Flora Payne, daughter of the Standard Oil Company magnate Henry B. Payne, of Cleveland, whose election as a United States Senator from Ohio caused much scandal. She was the sister of Colonel Oliver H. Payne, also an oil multimillionaire. Returning to New York City after his term of Secretary had expired, William C. Whitney, Thomas F. Ryan and others combined various street railways there into the Metropolitan Street Railway Company. This merger was accompanied by a monstrous infusion of watered stock; its total capitalization was run up to $260,838,000, of which $144,365,000 was stock, and the remainder bonded indebtedness. Of the total capitalization, about $236,000,000 was sold to the public.

Sensational charges as to the looting of this system were made in 1901, and again in 1903. Whitney and Ryan were credited with being among the chief financial powers long controlling "Boss" Richard Croker of Tammany Hall, and in turn, New York City, securing franchises, privileges and rights of enormous value. When running for District Attorney in 1901, William Travers Jerome, a reform candidate, promised, in a public speech, that he would investigate wrongdoing and corruption, even if the trail led into the office of the Metropolitan Street Railway Company. And he added: "No one knows better than I do that when I am attacking the Metropolitan Street Railway Company I am arraying myself against the most dangerous, the most vindictive and the most powerful influences at work in this community."

James W. Osborne, a noted attorney, was counsel for William N. Amory who pressed the charges. Amory had been a street railway executive, and had made a thorough study of the accounts of the Metropolitan Street Railway Company. These accounts, Osborne declared in open court, in 1903, showed that the clique of "insiders" controlling the system had, by the duplication of construction accounts in changing the motive power of the lines, by manipulation, and in other ways, stolen $30,000,000. This, however, was the more obvious sum involved; in addition, Amory asserted and specified, $60,000,000 had, by various devious processes, gone to enrich the "inside" group—a total, according to him, of $90,000,000 pocketed.

An investigation made by District Attorney Jerome, Amory publicly charged, was not undertaken in good faith. "It was," he wrote, "a deliberate whitewash. I have documentary evidence to prove it." Of the twenty-seven distinct written charges filed with Jerome, Amory declared, that official's accountant reported on only seven, and these were matters of minor importance, chiefly technicalities of accounts and not involving the serious crimes charged.

At William C. Whitney's death, in 1904, there was an effusion in the newspapers of tributes from public men. Thus, for instance, Mayor McClellan of New York City: "He was an ideal American gentleman, of high personal and political ideals, and one of the greatest Americans of our day." And from former President Cleveland: " . . . It can be truthfully said that in his character were combined mental traits of a high order and loving qualities of heart that grappled him to his friends with hooks of steel." And many more eulogies to the same purport. The value of William C. Whitney's estate was placed at $21,243,000; the inventory disclosed that at the time of his death, he did not own any Metropolitan Street Railway securities.

"THE BASEST KIND OF ROBBERY"

The indefatigable Amory wrote a rather voluminous pamphlet in which he exposed in full the way in which that company had been manipulated. He made no attempt, he stated, "to give a full list of thefts," and he described the operations of the controlling group as "the last degree of corporate corruptness", outdoing some of the other heinous corporate corruption then being exposed. "But the Metropolitan Managers," he went on, "have engaged in a deliberate scheme of stealing trust funds, their own stockholders' money. Their crimes comprise conspiracy, intimidation, bribery, corrupt court practices, subornation of perjury, false reporting, the payment of unearned dividends year after year, the persistent thefts of stockholders' money, carried on over a long period by a System constituting the basest kind of robbery . . . and finally, as a result, the wreck and ruin of a great corporation. All these offences have been committed that a few men might become multimillionaires easily and quickly, and be able to hold on to their graft." And on page after page, Amory gave the figures and other details as to how these operations were consummated. Among "the names of these eminent financiers who have made for many years the robbing of their own stockholders the chief business," he noted William C. Whitney, Thomas F. Ryan and four others. "It was," he commented, "the genius of William C. Whitney that conceived the possibilities of the Metropolitan railways, and erected this monument of infamous graft. It is the skill and unscrupulousness of Thomas F. Ryan to which many of the completed deals owe their success." [11]

Most outspoken language, certainly, and, if untrue, Amory was liable to prosecution. But no such step was ever taken against him. On the contrary, in a later investigation, many of his charges were confirmed. The wrecked Metropolitan Street Railway Company was succeeded by another company, and in a court action, in 1910, brought against a Metropolitan Street Railway affiliate to recover certain moneys lost, Joseph H. Choate had more to say. Choate was an outstanding New York City lawyer, and later Ambassador to Great Britain. "This 'debacle', this complete collapse," said Choate on January 25, 1910, "only occurred in 1907, but the debauchery and corruption which had preceded it lasted many years. I do not hesitate to say that the greatest enormity committed in New York was the flotation and inflation of the Metropolitan Street Railway Company, its securities and those of its subsidiary companies." Choate's arraignment in court that day was long and specific.

When the Public Service Commission made an investigation, in 1907, it found that many of the old books of the Metropolitan Street Railway Company had been sold to a purchaser who promised to destroy them, thus preventing discovery of the truth. Certain facts, however, were brought out by the testimony of witnesses. One of these was Grant B. Schley, a prominent broker, who related how the public had lost millions to the traction clique, and how William C. Whitney had secretly unloaded $1,092,747 of Electric Storage Battery stock on the Metropolitan Street Railway Company. And the activities of that company in seeking to influence public opinion by a campaign of publicity were shown by the testimony of Lemuel Eli Quigg. For six years he previously had been a member of Congress. He admitted that in the four years preceding 1907 he had received $217,000 from the Metropolitan Street Railway Company. This was charged to a construction fund, part of which was another sum of $798,000 paid to various persons whose names were concealed.[12] "The disposition of all in any way connected with the [Metropolitan Street Railway Company] management," editorialized the New York Commercial and Financial Chronicle, on April 25, 1908, "seems to be to put the blame for everything wrong upon one of Mr. Ryan's former associates, the late William C. Whitney. As Mr. Whitney is dead this is an easy thing to do, but Mr. Ryan, by reason of his large interests in these city lines, must assume part of the responsibility."

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[11] "The Truth About Metropolitan," 1906: 3, 11, 12, 13, et seq.

[12] Investigation of the Interborough Metropolitan Company etc., 1907, Public Service Commission, First District, Vols. 2, 3, 4, et seq.: 774, 775, 1395, 1613-1618 respectively et seq.

In the matter of loot from one projected crosstown city surface line, which although heavily capitalized, had never been built, Ryan and associates and the trustees of the Whitney and W. L. Elkins estates settled a court action by payment of $692,292 to the Metropolitan Securities Company which had paid for the bonds and stock of that paper surface line.

Concluding its consideration of New York City traction conditions, the Grand Jury handed in a presentment saying that it "could not but feel that the physical and financial destruction of these properties was due in no inconsiderable degree to dishonest and probably criminal acts, rather than mistakes of judgment and lavish and reckless financiering." The Grand Jury also referred to "disbursements deserving severe condemnation." Nevertheless, reported the Grand Jury, it was unable to obtain any evidence showing the commission of a crime on which it could act. In a statement published on May 26, 1909, Amory averred that the foreman of the Grand Jury was a director in Ryan's Equitable Life Assurance Society. On January 27, 1908, Judge Rosalsky, in the Court of General Sessions, severely scored District Attorney Jerome, declaring that Jerome had so conducted the examination of Thomas F. Ryan before the Grand Jury as probably to invalidate any indictments which that body might have found against Ryan. Charges against District Attorney Jerome were presented to Governor Charles E. Hughes who dismissed them and exonerated Jerome. Nothing had been presented, Governor Hughes stated, which furnished any ground for impeaching Jerome's good faith in connection with the transactions, nor had anything been shown, Governor Hughes went on, which would justify Jerome's removal from office. Paul D. Cravath, Governor Hughes' former law partner, was now, it may be mentioned, Thomas F. Ryan's attorney, and a very capable lawyer he was.

Well, these were the fundamental facts: great sums of money had gone somewhere; a group of magnates had become enriched, the street railway system was wrecked, the statute of limitations had meanwhile been interposed, and nobody had been prosecuted. Ryan, born in Virginia, had started life as a poor boy, had been a dry goods clerk in Baltimore, then a broker's clerk in New York, and was a Wall Street broker until 1885 when he went into the business of reorganizing traction properties in various places, and fell in with Whitney and other traction men. Now Ryan was a conspicuous multimillionaire, with interests extending in many directions.

THE STORY OF A "JOKER"

One of the companies in which the funds of Whitney, Ryan, Oliver H. Payne and associates were invested was the Consolidated Tobacco Company which absorbed two other large tobacco companies. More than half of the shares of the Consolidated Tobacco Company were owned by Whitney, Ryan, Payne, and three other men including James B. Duke. These companies were parts of the huge Tobacco Combination.

Now there was a "joker" in the revenue laws by which Consolidated Tobacco Company was able to reap tens of millions of dollars in profits. During the Spanish American war a heavy tax was put upon tobacco, and authorization was given to reduce the size of the packages. In 1902 the war tax was repealed but the drafters of the new revenue provision, by a strange oversight, did not restore the packages to the original sizes, and the consumers of tobacco thereafter paid the equivalent of war revenue tax to the tobacco manufacturers. The tobacco companies made such huge profits that they were able to give a high value to their overcapitalization, pay out large sums in dividends, and accumulate great surpluses. An official report of that time stated of the Consolidated Tobacco Company, that, in the period alone of somewhat more than three years following its inception in 1901, it "paid $6,000,000 in dividends, accumulated a surplus of $17,000,000 and substantially became entitled to the increase in the surpluses of the American and Continental Companies, amounting to over $7,000,000."[13]

In Congress, in 1909, figures were presented showing that, under the "joker" the purchaser of each small package had been mulcted out of one cent, and the purchaser of the larger package, two cents. Computations were made that the "joker" had cost the consumers, during the whole series of years it was in the revenue laws, at least $45,000,000. Perhaps the sum was more or less, but undoubtedly it was great, and comprised extra profits in addition to the regular profits derived by the Tobacco Combination which had nearly a complete control, except in the manufacture of cigars, of the tobacco business in America. "Many weaker concerns," stated the U. S. Commissioner of Corporations, in reporting his comprehensive investigation, in 1909, "have been virtually driven out of business or forced to sell to the Combination," and he gave the details of "the immense profits of the Combination."

Such were some of the circumstances attending the quick ascent of William C. Whitney, whose fortune was now united with the Vanderbilt. Such, too, it may be here mentioned, were a few of the activities by which Thomas F. Ryan amassed his multimillions, which expanding, enabled him to leave, at his death, in 1928, an estate fixed by the tax transfer appraisal in 1932 at $135,164,110.

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[13] Report of the U. S. Commissioner of Corporations on the Tobacco Industry, Part I, Position of the Tobacco Combination in Industry, February 25, 1909:8-9.

THE PAYNE WHITNEY FORTUNE SWELLS

William C. Whitney had two sons, Harry Payne and Payne. To Harry Payne, he left one-half of his residuary estate, and only one-tenth to Payne whom he expected would be provided for in the will of Payne's uncle, Oliver H. Payne, who had virtually made Payne his adopted son. Other parts of William C. Whitney's estate were left to his two daughters. Payne Whitney did inherit a chief share of Oliver Payne's fortune of about $32,000,000 and, following Payne Whitney's death in 1927, the latter's estate was appraised at a net value of $178,893,000. The legacy to his widow Helen Hay Whitney (daughter of John Hay) was personal property valued at $811,282, and a residuary share in more than $63,000,000 put in trust. John Hay Whitney, his son, received a residuary share in trust amounting to $31,551,408, and his daughter Joan Whitney Payson, a similar amount in trust. Various other bequests were made, and a total of $67,704,000 was left to charitable and educational institutions.

Payne Whitney, it happened, died at a time when the stock market was booming, ascending until the bull market of 1929 was reached. The figures of a final accounting of his estate, filed in the Surrogate's Court, New York City, on August 31, 1931, showed that between the date of his death and the distribution of his estate two years later, the sale of securities by the executors in 1929 had realized such large profits that Payne Whitney's estate had increased $52,721,270 within two years after his death.

Different conditions confronted the estate of Harry Payne Whitney who died in 1930.[14] He had owned in that year $47,462,302 of stocks in a multitude of corporations, and $16,355,119 in Federal, State and municipal bonds. A valuation of his securities, in 1934, showed that by that time, after years of depression, the value of the stocks—supposing that the estate retained them all—had shrunk to $40,890,000 while that of the bonds had slightly increased. However, he left other properties; real estate in New York valued at more than $4,000,000; real estate holdings in other States; more than 200 racehorses (like his brother he was a notable sportsman) valued at a total of $913,700; and household and personal possessions of great value. His will distributed the bulk of his estate to his family. Gertrude Vanderbilt Whitney received several million dollars in real estate and personal property and a life interest in the $1,650,000 mansion at 871 Fifth Avenue. The bequest to his son, Cornelius Vanderbilt Whitney, was $1,200,000 cash, and a life interest in one fourth of the residue, or nearly $15,000,000 until he was 35 years old, when he was to receive the principal and a further life interest in a quarter of the estate. His two daughters each received $1,000,000 in cash, and a life interest in one-quarter of the residue. Portions of the estate for Harry Payne Whitney's children were to be held in trust, and, upon their deaths, to go to their children. Even after millions in inheritance taxes had been paid, the estates of the Whitney brothers still ranked as conspicuous multimillionaire fortunes.[15]

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[14] How quickly affairs which not so long before made sensational scandals were forgotten or never even consulted! At Harry Payne Whitney's death a news article in the New York Times (October 26, 1930) thus described his father: "His father, who had amassed an immense fortune by amalgamating a score or more of surface railways, had remarkable success in everything he undertook. He was a statesman of more than national prominence; one of the shrewdest of the country's politicians in the better sense of the word; a constructive financier of the utmost astuteness. . . ."

Having made this necessary excursion into the origin of the Whitney fortune and its alliance with the Vanderbilt, we shall turn our gaze back a generation and note another of the marriages.

Cornelius Vanderbilt, jr., married a daughter of R. T. Wilson, a multimillionaire, whose fortune came to a great extent from the public franchises of Detroit. William K. Vanderbilt, jr., married a daughter of the multimillionaire Senator Fair, of California, whose fortune, dug from mines, bought him a seat in the United States Senate. Thus, various multimillionaire fortunes were interconnected by these American marriages.

A $50,000,000 FORTUNE

Diffused as the Vanderbilt fortune became among various family members, the total wealth was so great as to continue nearly all of the principals in succeeding generations as solid multimillionaires. The bulk of the fortune, estimated at from $50,000,000 to $60,000,000 of the Cornelius Vanderbilt who died in 1899 was inherited by one of his sons, Alfred Gwynne Vanderbilt. Because of his father's displeasure over a marriage, it was reported, Alfred's elder brother, Cornelius, had been cut off in his father's will with $1,000,000. A contest over the will was averted by Alfred subsequently giving his brother $6,000,000. To Reginald C., another son, Cornelius left $1,125,000 outright, and interests in two trust funds of about $6,250,000. At the time of his father's death, Alfred was twenty-three years old, and when the contents of the will were read, he found that by inheriting the bulk of the fortune he was one of the richest young men in America. At least he would be so at the age of 30 when, the will provided, half of the property and securities, valued at more than $30,000,000, was to be turned over to him, and the remainder likewise when he reached 35 years of age.

Alfred Gwynne Vanderbilt was 38 years old when he sailed on the Lusitania and went down with that ship which was torpedoed by a German submarine in 1915. His will revealed that during his lifetime he had at his disposal $42,375,000, of which $16,000,000 had been given away, a portion to his first wife when she divorced him, in 1908, and other millions, as has been said, to his brother Cornelius. This left in his ownership property estimated at $26,375,000. To his widow—his second wife—Margaret Emerson Vanderbilt, daughter of Isaac Emerson, a Baltimore multimillionaire, called the "Bromo-Seltzer king", Alfred Gwynne Vanderbilt left an aggregate of $8,000,000 of which $5,000,000 was placed in a trust fund, the income from which she was to have for life. At her death the principal was to be handed over to their children, Alfred Gwynne Vanderbilt, Jr., then—in 1915—five years old, and to George, nine months of age. The bulk of the estate went to these infants as a fund to be held in trust for them. At stipulated times from the ages of 21 to 35 each was to receive a quarter share of his inheritance, and at 35 years of age the final fourth. Moreover, these boys were also destined eventually to share in the Emerson fortune of their maternal grandfather. William Henry Vanderbilt, born of Alfred Gwynne Vanderbilt's first wife, was the recipient of a $5,000,000 trust fund, and the use of the spacious and luxurious estate "Oakland Farm," at Newport, R. I., which was to be his upon his attaining maturity.

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[15] It was at about this time that United States Senator Norris of Nebraska was declaring: "We ought to limit the right of wealth to entail itself from one generation to another." He pleaded for the enactment of such a heavy progressive inheritance tax as "would make it impossible for the property of one generation to be passed intact to the people of a succeeding generation."

POVERTY OF INDUSTRIAL WORKERS

At the time when these heirs inherited this wealth, the Final Report of the U. S. Commission on Industrial Relations was giving the other side of the social picture. Some extracts from that voluminous document will suffice to show some of the conditions. "It is evident both from the investigations of this Commission and from the reports of all recent governmental bodies," the account stated, "that a large part of our industrial population, as a result of the combination of low wages and unemployment, are living in a condition of actual poverty. How large this proportion is cannot be exactly determined, but it is certain that at least one-third and possibly one-half of the families of wage earners employed in manufacturing and mining earn in the course of the year less than enough to support them in anything like a comfortable and decent condition. The detailed evidence is presented in a separate report which is submitted for transmittal to Congress."

Facts collected in an investigation made by the Immigrant Commission, the report set forth, convincingly showed that 30 per cent of the workers managed to subsist only by keeping boarders and lodgers, "a condition repugnant to every ideal of American life, especially in the crowded tenements or tiny cottages in which the wage earners of America characteristically live." Furthermore, stated the report, "in 77 per cent of the families two or more persons occupied each sleeping room, in 37 per cent three or more persons, and in 15 per cent four or more persons." Such heads of families investigated were foreign born, but also, in large measure, alien labor comprised the bulk of unskilled workers in some of the big industries. "The great seriousness of this condition," the report went on, "is even more acutely realized when it is known that in the families of the workers 37 per cent of the mothers are at work, and consequently unable to give the children proper care. Of these mothers 30 per cent keep boarders and lodgers, and 7 per cent work outside the home."

Dealing with labor as a whole in America the report dwelt upon the extremes to which woman and child labor was exploited, and the inadequate wages paid to large numbers of men, women and children. Surveying American industries and including workers, American and foreign born, the report gave these findings: "A careful analysis of all available statistics shows that in our great basic industries the workers are unemployed for at least one-fifth of the year, and that at all times during the year there is an army of men, who can be numbered only by hundreds of thousands, who are unable to find work or who have so far degenerated that they cannot or will not work."

And this antithesis to the existing insecurity, precariousness or poverty of great numbers of people was presented: "Massed in millions, at the other end of the social scale, are fortunes of a size never before dreamed of, whose very owners do not know the extent nor, without the aid of an intelligent clerk, even the sources of their incomes." The report told of their "ever-increasing mountains of gold" and how "these heirs, owners only by virtue of the accident of birth," controlled the livelihood and had the power to dictate the lot of more human beings than populated England during the Middle Ages. Indeed, said the report, those men occupied within the American Republic "a position almost exactly analagous to that of the feudal lords." [16]

ANOTHER ESTATE OF $54,000,000

The extent of the Vanderbilt family wealth was again shown when in 1923, the transfer tax appraisal was made in the Surrogate's Court, Suffolk County, New York, of the estate of William K. Vanderbilt. He had died in Paris in 1920. His estate was valued at $54,530,000, which debts reduced to a net $50,222,000. Only shortly before his death he had given $15,000,000 to his daughter, the former Duchess of Marlborough, now Consuelo Balsan, wife of a retired French army officer. As appraised, the estate consisted of more than $4,000,000 in real estate possessions, and $50,523,000 in personal holdings—stocks and cash. He owned $29,000,000 of stocks in three big railway systems alone—the New York Central, the Delaware, Lackawanna and Western, and the Pittsburg and Lake Erie. In the Delaware, Lackawanna and Western Coal Company he had 9,000 shares valued at $1,485,000. He was a considerable owner of stocks in other railway systems—8,375 shares of common, and 15,000 shares of preferred, stock in the Chicago and Northwestern—stocks valued at somewhat more than $2,000,000. He owned 16,640 shares, valued at $1,913,600 in the Pullman Company. These were the principal of his variety of stock holdings. At the time of his death he had more than $2,000,000 in cash in New York and Paris banks.

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[16] Final Report, U. S. Commission on Industrial Relations, 1916, I:22, 23, 32, 34.

His two sons, William K. and Harold S. Vanderbilt, inherited the bulk of his wealth. His widow received only $109,000. The sum of $1,677,241 was bequeathed to Consuelo; $1,000,000 each to the Marquis of Blanford and Lord Ivor Churchill, sons of Consuelo and the Duke of Marlborough, and there was a list of other bequests. "Idle Hour," a Suffolk County estate of more than 7,000 acres with a large mansion, was bequeathed to Harold S. Vanderbilt, who sold it to a syndicate for an exclusive country club. The estate paid an inheritance tax of $1,934,571.

THE VAN SWERINGENS, NEW RAILROAD MONARCHS

Meanwhile, the Vanderbilts, or strictly speaking, their New York Central Lines, had sold a railroad, and this sale marked the advent of a pair of young railroad "monarchs", the Van Sweringen brothers, Oris P. and Mantis J. of Cleveland, Ohio.

The New York, Chicago and St. Louis Railroad, commonly called the Nickel Plate, was not in a flourishing condition. Its acquisition by the Van Sweringens was rather fortuitous. In his testimony on June 5, 1933, before the U. S. Senate Committee on Banking and Currency, O. P. Van Sweringen related the circumstances. He and his brother had been in the real estate business in Cleveland. He told how before 1916 they were undertaking a project to provide rapid transit to some portions of Cleveland. "We wanted to use a part of the Nickel Plate—that railroad passing through Cleveland from east to west in an ideal location for the purpose. We had heard that the Nickel Plate stock control might be acquired—that is, that the New York Central interests might be willing to dispose of it. We found this was so, and in 1916 we bought it. We didn't have money enough to pay for it all. We arranged to defer a portion of the purchase price, and we gathered with us some friends who invested along with us to make the purchase. . . . The purchase price was $8,500,000. . . . The initial payment was $2,000,000." To make that first payment, he further testified, he and his brother obtained a loan of $2,100,000 from the Guardian Savings and Trust Company of Cleveland, and gave notes, extending over a period of ten years, for the payment of the balance of $8,500,000.[17]

Neglecting no opportunity to make the railroad profitable, they did make it so. Their ambition now reached out further when they learned, in 1922, that there was an opportunity of buying stock control of the Toledo, St. Louis and Western—colloquially called the Clover Leaf—and the Lake Erie and Western. Buying these, they consolidated them with the Nickel Plate line. Unlike some of the hereditary owners of railroads whose concern in these was more the wealth derived than any interest in operation and development, the Van Sweringens were alive to every opportunity. The Interstate Commerce Commission had suggested the advisability of grouping railroads in particular regions into single systems. The Van Sweringens had immediately seen the feasibility and efficacy of this plan. Learning that a large amount of stock owned by the Huntington interests in the Chesapeake and Ohio Railroad was for sale, they succeeded in enlisting the backing of the banking house of J. P. Morgan & Co., and bought 70,000 shares. They then bought stock in the Pere Marquette Railroad and various other lines, connected some by building new trackage, and consolidated all of their lines into one system. Among the railroads purchased by the Van Sweringen interests was the Wheeling and Lake Erie railroad. They paid the New York Central Railroad Company $10,679,721 in cash for 56,000 shares of common, 4,933 shares of preferred, and 38,398 shares of prior lien stock in the Wheeling and Lake Erie Railway.

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[17] Stock Exchange Practices, Hearings Before the Committee on Banking and Currency, U. S. Senate, 1933, Part 2: 564-565, 572, 575, 581 et seq.

So while some of the older owners or their estates were divesting themselves of part or all of their railroad stock holdings, the Van Sweringens were emerging as masters of a great new system. Like certain other systems, railroads controlled by the Van Sweringens were vested in large holding companies. The report of the Commission on Interstate and Foreign Commerce Committee of the House of Representatives, in February, 1931, declared that groups of financiers were circumventing government regulations by the holding-company device. At this time, the report stated, the Van Sweringen brothers controlled 28,411 miles of railroads and their investments in a railroad system (rated at $3,000,000,000) was placed at $523,000,000. Much of this was loans advanced by banks. In 1935, according to a published announcement, the Van Sweringens had been in default since 1931 on $48,000,000 of bank loans. However, although they nearly lost control of their railroad lines during the depression, they regained it on September 30, 1935, when their holdings were auctioned off at the order of J. P. Morgan & Co., to satisfy bank loans in default. New backers came forward in behalf of the Van Sweringens, and through a new holding company, formed a few days previously, stocks carrying control of the Van Sweringen system were bid in for only $3,121,000. The total realized at the sale was $4,703,000, leaving a loss to the bankers of more than $43,000,000. Oris P. Van Sweringen was present at the sale, noting the success of the bidder friendly to the interests of himself and his brother. A little more than two months later his brother died in Cleveland. The future will have to tell the further tale of the standing of the Van Sweringen railroad system.

LARGE VANDERBILT STOCK HOLDINGS

This necessary digression shows that the New York Central Railroad Company's stock ownership in some railroads had become diminished. But a further indication of the persistence of the Vanderbilt wealth was evidenced in 1925 when Frederick W. Vanderbilt was eighth on the list of twenty-five men who paid the largest income taxes; his payment was $792,896, which figures afforded a clear idea of the magnitude of income. One of the Vanderbilts, Reginald C., did not succeed in retaining the wealth inherited. At Reginald's death in 1925 his estate, including trust funds, it was supposed, was perhaps $7,000,000 or so. But it turned out that, aside from the trust funds, from which he derived income only and which descended to his two daughters, he left virtually nothing; his debts exceeded his personal estate. Once looked up to as the heiress of millions, his widow and second wife, Mrs. Gloria Morgan Vanderbilt, stated in the Surrogate's Court, in 1933, that she was then dependent upon a $1,400 yearly income or $25 a week from her husband's depleted estate. Her young daughter, however, was receiving $116,537 annually from a trust fund. A contest ensued over the custody of this child, her paternal aunt, Mrs. Harry Payne Whitney, seeking to have the right to rear her. On the ground that the mother was indifferent to her daughter's welfare, the courts, in 1935, awarded the principal custody of the child to Mrs. Whitney.

But, as a whole, the Vanderbilt family was well fortified with wealth. In railroad stocks alone various members owned, according to the report in 1931, of the House of Representatives Committee on Interstate and Foreign Commerce, 238,663 shares in the New York Central Railroad. They also owned 128,000 shares in the Delaware, Lackawanna and Western Railroad; 146,325 in the Pittsburg and Lake Erie Railroad; 28,000 shares of common, and 34,358 shares of preferred, stock in the Chicago and Northwestern Railroad; and considerable holdings in the Union Pacific Railroad.

At this time the Vanderbilt holdings in the New York Central Railroad were less than five per cent of the voting stock of that corporation. But such a small percentage did not have the significance which it formerly would have had. In immediately previous years the big corporations of all kinds had adopted the policy of promoting the sale of stock among employees and the general public. In 1910 there were about 300,000 stockholders of American railroads; in 1930 the number was 840,000 stock owners, mostly small. The New York Central Railroad Company had succeeded by 1925 in selling shares to more than 78,000 of its 160,000 employees, and more of these bought stock later. "The lethargy of ordinary stockholders in exercising their power to control the management of these large corporations has often been commented upon," declared the Interstate Commerce Commission at a later date. Consequently, a block of stock, small compared to the whole issue, yet compactly held by interested groups, could and did make their control effective.

On January 26, 1933, came the announcement that the Delaware and Hudson Railroad Company had bought within a few months some 500,000 shares of the New York Central's total of nearly 5,000,000 shares of capital stock. The time was propitious for such a move; in the depression the market value of the stock had sunk to "bargain prices." On the other hand, the New York Central Railroad Company increased its holdings in the Delaware, Lackawanna and Western Railroad. Three of the Vanderbilts—Frederick W., Harold S., and William K.—have remained directors of the New York Central Railroad Company, operating 11,000 miles of territory.

The full recital of all of the recent happenings in the Vanderbilt family would require a long narrative. We shall have to avoid recounting the social extravagances of some, and, on the part of most, the bewildering array of divorces. In the course of these a number of the women acquired such a profusion of names as to be embarrassing, and one in particular finally sought relief by resuming her maiden name.

We also shall only passingly mention the fact that the Staten Island homestead of the original Cornelius Vanderbilt, founder of the fortune, was, in 1929, bought as part of a site for a motion picture theater.

CREATION OF A NEW FASHIONABLE SECTION

A few features of Vanderbilt activities will, however, be touched upon. Most of the Vanderbilts ceased bestowing their residential presence upon Fifth avenue. The location of fashionable neighborhoods in New York City had changed many times in the progress of a century. In the 1920's came another change. Business was steadily moving up Fifth avenue, and that part of the thoroughfare south of Fifty-ninth street was no longer attractively residential. While the Park avenue rich were still indulging in dreams of residential exclusiveness, a new fashionable neighborhood was developing in a seemingly hopeless neighborhood along the East River contiguous to Fifty-seventh street. This was a neighborhood that had sunk into a repellent section, with a medley of buildings beset by ramshackle tenements and relieved only by a few old-time decayed private houses.

Pioneering their way to Sutton Place, Elizabeth Marbury and Elsie de Wolfe reconstructed one of these houses and made it their home. Convinced by their example, Mrs. Anne Harriman Rutherford Vanderbilt, widow of William K. Vanderbilt, went to live on Sutton Place, and others of the rich followed. Visioning a new fashionable neighborhood in process of creation, builders erected in the neighborhood a series of high class apartments for occupancy by the rich. For a time Vincent Astor lived in a Sutton Place apartment. There came a large exodus from Park avenue to the Sutton Place district.

One of the Vanderbilt twin mansions at Fifth avenue and Fifty-second street was bought in 1925 by Benjamin Winter, and on its site as well as an adjoining site, a modern office building was erected. The other twin mansion was still standing in 1936. The palatial, ornate chateau on Fifth avenue at Fifty-seventh and Fifty-eighth streets, built by Cornelius Vanderbilt in 1891 and 1892, was another Vanderbilt house sold, razed and replaced by a new building, and others of the Vanderbilts disposed of mansions in that Fifth avenue neighborhood.

A VANDERBILT MAKES NEW CONTACTS

The second feature of Vanderbilt chronicles was the unusual sight of one of that family striving to work his own way in life. This member was the younger Cornelius Vanderbilt of the present generation. He fancied the newspaper business, took a job as reporter on various New York newspapers, and later himself published tabloid newspapers in various cities, losing a considerable personal fortune in the venture.

In an article in The Fourth Estate, in July, 1926, he related how his newspaper experience had brought him in contact with people whom otherwise he never would have met, and greatly broadened his attitude toward various social problems. "When I became a newspaper publisher," he wrote, "I not only had to fight the usual battles that form part of any new publishing venture, but an unexpected opposition that sprung from my own family and friends; an opposition that was more surprising because it had been heralded by promises of support which I had relied upon. In my newspapers I made no compromise with family, with friends, or with caste. . . . The Vanderbilt newspapers sought to reflect the ideas of social justice and liberality which had been instilled into me by my newspaper training. Some of these tendencies were objected to silently by my family and friends when they found their way into print under my signature. They had remained in their grooves of position and attitude, while I had grown out of this into a newer and freer atmosphere, for which the newspaper work I had done was responsible." He attributed his failures not to his ideas nor to his editorial judgment but to his reliance in business matters upon alleged newspaper "experts."

In 1927 Cornelius was interviewed while living in a tiny two-room apartment over a Fifth avenue toy shop opposite his grandmother's mansion, and he announced that "I'm going to pay off every penny I owe if it takes me fifty years." His debts, he admitted, were close to $3,000,000. However, according to newspaper accounts and his own statements, the estrangement with his family was bridged over in the next year, and he declared—so The New York Times reported on December 24, 1928—that arrangements had been made by which he would have $3,000,000 to reimburse stockholders. The money put at his disposal, he explained, was due him in wills from his grandfather and grandmother and also came from other arrangements with his parents.

$1,247,000 CASH IN HAND

The third feature deserving of notice was the contrast presented by the cash resources owned by Mrs. Alice Gwynne Vanderbilt, (widow of the Cornelius Vanderbilt who died in 1899) at her death in 1934, and the widespread impoverished condition of masses of the American people. The appraisal of her estate on May 25, 1936, showed a net of $10,184,587 of which $1,247,252 was cash. This was a time when millions of people had no other source of livelihood than the work or the dole provided by public funds—a scanty measure of support sufficient only for the elementals of existence. It was a time when those millions obviously did not have the security of even a dollar of reserves, and a time also when the average tenant farmer or "share cropper" in various sections somehow had to subsist, it was recorded, on a pittance of 42 cents a day.

Chapter IX

The Rise of the Gould Fortune

The greater part of this once commanding fortune was originally heaped up, as was that of Commodore Vanderbilt, in about fifteen years, and at approximately the same time. Formerly one of the most powerful fortunes in the United States, it controlled, or exercised a dominant share of the control, over more than 18,000 miles of railway, the total ownership of which was represented by considerably more than a billion dollars in stocks and bonds. The Gould fortune was also either openly or covertly paramount in many telegraph, transatlantic cable, mining, land and industrial corporations. The narrative of how this fortune was amassed is a vital part of this history.

JAY GOULD'S BOYHOOD

The founder of this fortune was Jay Gould. He was the son of a farmer in Delaware County, New York, and was born in 1836. As a child his lot was to do various chores on his father's farm. In driving the cows he had to go barefoot, perforce, by reason of poverty, and often thistles bruised his feet—a trial which seems to have left such a poignant and indelible impression upon his mind that when testifying before a United States Senate investigating committee forty years later he pathetically spoke of it with a reminiscent quivering. His father was, indeed, so poor that he could not afford to let him go to the public school. The lad, however, made an arrangement with a blacksmith by which he received board in return for certain clerical services. These did not interfere with his attending school. When fifteen, he became a clerk in a country store, a task which, he related, kept him at work from six o'clock in the morning until ten o'clock at night. It is further related that by getting up at three o'clock in the morning and studying mathematics for three years, he learned the rudiments of surveying.

According to Gould's own story, an engineer who was making a map of Ulster County hired him as an assistant at "twenty dollars a month and found." This engagement somehow (we are not informed how) turned out unsatisfactorily. Gould was forced to support himself by making "noon marks" for the farmers. To two other young men who had worked with him upon the map of Ulster County, Gould (as narrated by himself) sold his interest for $500, and with this sum as capital he proceeded to make maps of Albany and Delaware counties. These maps, if we may believe his own statement, he sold for $5,000.

HE GOES INTO THE TANNING BUSINESS

Subsequently Gould went into the tanning business in Pennsylvania with Zadoc Pratt, a New York merchant, politician and Congressman of a certain degree of note at the time.[1] Pratt, it seems, was impressed by young Gould's energy, skill and smooth talk, and supplied the necessary capital of $120,000. Gould, as the phrase goes, was an excellent bluff; and so dexterously did he manipulate and hoodwink the old man that it was quite some time before Pratt realized what was being done. Finally, becoming suspicious of where the profits from the Gouldsboro tannery (named after Gould) were going, Pratt determined upon some overhauling and investigating.

Gould was alert in forestalling this move. During his visits to New York City, he had become acquainted with Charles M. Leupp, a rich leather merchant. Gould prevailed upon Leupp to buy out Pratt's interest. When Gould returned to the tannery, he found that Pratt had been analyzing the ledger. A scene followed, and Pratt demanded that Gould buy or sell the plant. Gould was ready, and offered him $60,000, which was accepted. Immediately Gould drew upon Leupp for the money. Leupp likewise became suspicious after a time, and from the ascertained facts, had the best of grounds for becoming so. The sequel was a tragic one. One night, in the panic of 1857, Leupp shot and killed himself in his fine mansion at Madison avenue and Twenty-fifth street. His suicide caused a considerable stir in New York City.[2]

HE BUYS RAILROAD BONDS WITH HIS STEALINGS

Three years later, in 1860, Gould set up as a leather merchant in New York City; the New York directory for that year contains this entry: "Jay Gould, leather merchant, 39 Spruce street; house Newark." For several years after this his name did not appear in the directory.

He had been, however, edging his way into the railroad business with the sums that he had stolen from Pratt and Leupp. At the very time that Leupp committed suicide, Gould was buying the first mortgage bonds of the Rutland and Washington Railroad—a small line, sixty-two miles long, running from Troy, New York, to Rutland, Vermont. These bonds, which he purchased for ten cents on the dollar, gave him control of this bankrupt railroad. He hired men of managerial ability, had them improve the railroad, and he then consolidated it with other small railroads, the stock of which he had bought in.

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[1] Pratt was regarded as one of the leading agricultural experts of his day. His farm of three hundred and sixty-five acres, at Prattsville, New York, was reputed to be a model. A paper of his, descriptive of his farm, and containing wood-cut engravings, may be found in U. S. Senate Documents, Second Session, Thirty-seventh Congress, 1861-62, v:411-415.

[2] Although later in Gould's career it was freely charged that he had been the cause of Leupp's suicide, no facts were *officially* brought out to prove the charge. The coroner's jury found that Leupp had been suffering from melancholia, superinduced, doubtless, by business reverses.

Even Houghton, however, in his flamboyantly laudatory work describes Gould's cheating of Pratt and Leupp, and Leupp's suicide. According to Houghton, Leupp's friends ascribed the cause of the act to Gould's treachery. See "Kings of Fortune." 265-266.

With the passing of the panic of 1857, and with the incoming of the stupendous corruption of the Civil War period, Gould was able to manipulate his bonds and stock until they reached a high figure. With a part of his profits from his speculation in the bonds of the Rutland and Washington Railroad, he bought enough stock of the Cleveland and Pittsburgh Railroad to give him control of that line. This he manipulated until its price greatly rose, when he sold the line to the Pennsylvania Railroad Company. In these transactions there were tortuous substrata of methods, of which little to-day can be learned, except for the most part what Gould himself testified to in 1883, which testimony he took pains to make as favorable to his past as possible.

His career from 1867 onward stood out in the fullest prominence; a multitude of official reports and investigations and court records contribute a translucent record. He became invested with a sinister distinction as the most cold-blooded corruptionist, spoliator, and financial pirate of his time; and so thoroughly did he earn this reputation that to the end of his days it confronted him at every step, and survived to become the standing reproach and terror of his descendants. For nearly a half century the very name of Jay Gould was a persisting jeer and byword, an object of popular contumely and hatred, the signification of every foul and base crime by which greed triumphs.

WHY "THIS BIASED VIEW" OF GOULD'S CAREER?

Yet, it may well be asked why was Jay Gould plucked out as a special object of opprobrium? What curious, erratic, unstable judgment was this that selected this one man as the scapegoat of commercial society, while deferentially allowing his business contemporaries the fullest measure of integrity and respectability?

Monotonous echoes of one another, devoid of understanding, writer followed writer in harping undiscriminatingly upon Jay Gould's crimes. His career was presented in the most forbidding colors; and in order to show that he was an abnormal exception, and not a familiar type, his methods were darkly contrasted with those of such illustrious capitalists as the Astors, the Vanderbilts, and others.

Thus, was the misinformed thing called public opinion shaped by these scribbling purveyors of fables; and this public opinion was taught to look upon Jay Gould's career as an exotic, "horrible example," having nothing in common with the careers of other founders of large fortunes. The same generation habitually addicted to cursing the memory of Jay Gould, and taunting his children and grandchildren with the reminders of his thefts, spoke with traditional respect of the wealth of such families as the Astors and the Vanderbilts. Yet the cold truth is, as has been copiously proved, John Jacob Astor was proportionately as notorious a swindler in his day as Gould was in his; and as for Commodore Vanderbilt, he had already made blackmailing on a large scale a safe art before Gould was out of his teens.

Gould was impeached as one of the most audacious and successful buccaneers of modern times. Without doubt he was so; a freebooter who, if he could not appropriate millions, would filch thousands; a pitiless human carnivore, glutting on the blood of his numberless victims; a gambler destitute of the usual gambler's code of fairness in abiding by the rules; an incarnate fiend of a Machiavelli in his calculations, his schemes and ambushes, his plots and counterplots.

But it was only in degree, and not at all in kind, that he differed from the general run of successful wealth builders. The Vanderbilts committed acts of as great an enormity as he, but they gradually managed to weave around themselves an exterior of protective respectability. All sections of the capitalist class, in so fiercely reviling Gould, reminded one of the thief, who, to divert attention from himself, joins with the pursuing crowd in loudly shouting, "Stop thief!" We shall presently see whether this comparison is an exaggerated one or not.

THE TEACHINGS OF HIS ENVIRONMENT

To understand the incentives and methods of Gould's career, it is necessary to know the endemic environment in which he grew up and flourished, and its standards and spirit. He, like others of his stamp, were, in a great measure, but products of the times; and it is not the man so much as the times that are of paramount interest, for it is they which supply the explanatory key. In preceding chapters repeated insights have been given into the methods not merely of one phase, but of all phases, of capitalist formulas and processes. At the outset, however, in order to approach impartially this narrative of the Gould fortune, and to get a clear perception of the dominant forces of his generation, a further presentation of the business-class methods of that day will be given.

As a young man what did Jay Gould see? He saw, in the first place, that society, as it was organized, had neither patience nor compassion for the very poverty its grotesque system created. Prate its higher classes might of the blessings of poverty; and they might spread broadcast their prolix homilies on the virtues of a useful life, "rounded by an honorable poverty." But all of these teachings were, in one sense, chatter and nonsense; the very classes which so unctuously preached them were those who most strained themselves to acquire all of the wealth that they possibly could. In another sense, these teachings proved an effective agency in the infusing into the minds of the masses of established habits of thought calculated to render them easy and unresisting victims to the rapacity of their despoilers.

From these "upper classes" proceeded the dictation of laws; and the laws showed what the real, unvarnished attitude of these fine, exhorting moralists was towards the poor. Poverty was virtually prescribed as a crime. The impoverished were regarded in law as paupers, and so repugnant a term of odium was that of pauper, so humiliating its significance and treatment, that great numbers of the destitute preferred to suffer and die in want and silence rather than avail themselves of the scanty and mortifying public aid obtainable only by acknowledging themselves paupers.

Sickness, disability, old age, and even normal life, in poverty were a terrifying prospect. The one sure way of escaping it was to get and hold wealth. The only guarantee of security was wealth, provided its possessor could keep it intact against the maraudings of his own class. Every influence conspired to drive men into making desperate attempts to break away from the stigma and thraldom of poverty, and gain economic independence and social prestige by the ownership of wealth.

But how was this wealth to be obtained? Here another set of influences combined with the first set to suppress or shatter whatever doubts, reluctance or scruples the aspirant might have. The acquisitive young man soon saw that toiling for the profit of others brought nothing but poverty to himself; perhaps at the most, some small savings that were constantly endangered. To get wealth he must not only exploit his fellow men, he found, but he must not be squeamish in his methods. This lesson was powerfully and energetically taught on every hand by the whole capitalist class.

Conventional writers descanted with a show of great indignation upon Gould's bribing of legislative bodies and upon his cheatings and swindlings. Without adverting again to the corruption, reaching far back into the centuries, existing before his time, we shall simply describe some of the conditions that as a young man he witnessed or which were prevalent synchronously with his youth.

Whatever sphere of business was investigated, there it was at once discovered that wealth was being amassed, not only by fraudulent methods, but by methods often a positive peril to human life itself. Whether large or small trader, these methods were the same, varying only in degree.

ALL BUSINESS REEKED WITH FRAUD

A Congressional committee, probing, in 1847-48, into frauds in the sale of drugs found that there was scarcely a wholesale or retail druggist who was not consciously selling spurious drugs which were a menace to human life. Dr. M. J. Bailey, United States Examiner of Drugs at the New York Custom House, was one of the many expert witnesses who testified. "More than one-half of many of the most important chemical and medicinal preparations," Dr. Bailey stated, "together with large quantities of crude drugs, come to us so much adulterated as to render them not only worthless as a medicine, but often dangerous." These drugs were sold throughout the United States at high prices.[3] There is not a single record of any criminal action pressed against those who profited from selling this poisonous stuff.

The manufacture and sale of patent medicines were attended with the grossest frauds. The newspapers profited richly from the publication of patent medicine advertisements; and even after a Congressional committee had fully investigated and exposed the nature of these nostrums, the newspapers continued publishing the alluring and fraudulent advertisements.

After showing at great length the deceptive and dangerous ingredients used in a large number of patent medicines, the Committee on the Judiciary of the House of Representatives went on in its report of February 6, 1849: "The public prints, without exception, published these promises and commendations. The annual [advertising] fee for publishing Brandeth's pills has amounted to $100,000. Morrison paid more than twice as much for the advertisement of his never-dying hygiene." The committee described how Morrison's nostrums often contained powerful poisons, and then continued: "Morrison is forgotten, and Brandeth is on the high road to the same distinction. T. W. Conway, from the lowest obscurity, became worth millions from the sale of his nostrums, and rode in triumph through the streets of Boston in his coach and six. A stable boy in New York was enrolled among the wealthiest in Philadelphia by the sale of a panacea which contains both mercury and arsenic. Innumerable similar cases can be adduced."[4] Not a few multimillionaire families of to-day derive their wealth from the enormous profits made by their fathers and grandfathers from the manufacture and sale of these poisonous concoctions.

SUCCESS AS GOULD LEARNED IT

The frauds among merchants and manufacturers reached far more comprehensive and permeating proportions. In periods of peace these fraudulent methods were nauseating enough, but in times of war they were inexpressibly repellent and ghastly. During the Mexican War the Northern shoe manufacturers dumped upon the army shoes which were of so inferior a make that they could not be sold in the private market, and these shoes were found to be so absolutely worthless that it is on record that the American army in Mexico threw them away upon the sands in disgust. But it was during the Civil War that Northern capitalists of every kind coined fortunes from the national disasters, and from the blood of the very armies fighting for their interests.

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[3] Report of Select Committee on the Importation of Drugs. House Reports, Thirtieth Congress, First Session, 1847-48, Report No. 664:9. In a previous chapter, other extracts from this report have been given showing in detail what many of these fraudulent practices were.

[4] Report No. 52. Reports of Committees, Thirtieth Congress, Second Sess., 1:31.

In the chapters on the Vanderbilt fortune, it has been shown how Commodore Vanderbilt and other shipping merchants fraudulently sold or leased to the Government, for exorbitant sums, ships for the transportation of soldiers—ships so decayed or otherwise unseaworthy, that they had to be condemned. In those chapters such facts were given as applied mainly to Vanderbilt; in truth, however, they constituted but a mere part of the gory narrative. While Vanderbilt, as the Government agent, was leasing or buying rotten ships, and making millions of dollars, the most conspicuous and respectable shipping merchants of the time were unloading their old hulks upon the Government at extortionate prices.

One of the most ultra-respectable merchants of the time, ranked of high commercial standing and austere social prestige, was, for instance, Marshall O. Roberts. This was the identical Roberts so deeply involved in the great mail-subsidy frauds. This was also the same sanctimonious Roberts, who, as has been brought out in the chapters on the Astor fortune, joined with John Jacob Astor and others in signing a testimonial certifying to the honesty of the Tweed Regime. A select Congressional committee, inquiring into Government contracts in 1862-63, brought forth volumes of facts that amazed and sickened a committee accustomed to ordinary political corruption. Here is a sample of the testimony: Samuel Churchman, a Government vessel expert engaged by Welles, Secretary of the Navy, told in detail how Roberts and other merchants and capitalists had contrived to palm off rotten ships on the Government; and, in his further examination on January 3, 1863, Churchman was asked:

> Q. Did Roberts sell or charter any other boats to the Government?
> A. Yes, sir. He sold the Winfield Scott and the Union to the Government.
> Q. For how much?
> A. One hundred thousand dollars each, and one was totally lost and the other condemned a few days after they went to sea.[5]

In the course of later inquiries in the same examination, Churchman testified that the Government had been cheated out of at least $25,000,000 in the chartering and purchase of vessels, and that he based his judgment upon "the chartered and purchased vessels I am acquainted with, and the enormous sums wasted there to my certain knowledge."[6] This $25,000,000 swindled from the Government in that one item of ships alone formed the basis of many a present plutocratic fortune.

FRAUD UNDERLIES RESPECTABILITY

But this was not by any means the only schooling Gould received from the respectable business element. It can be said advisedly that there was not a single avenue of business in which the most shameless frauds were not committed upon both Government and people. The importers and manufacturers of arms scoured Europe to buy up worthless arms, and then cheated the Government out of millions of dollars in supplying those guns and other ordnance, all notoriously unfit for use. "A large proportion of our troops," reported a Congressional Commission in 1862, "are armed with guns of very inferior quality, and tens of thousands of the refuse arms of Europe are at this moment in our arsenals, and thousands more are still to arrive, all unfit."[7] A Congressional committee appointed, in 1862, to inquire into the connection between Government employees on the one hand, and banks and contractors on the other, established the fact conclusively that the contractors regularly bribed Government inspectors in order to have their spurious wares accepted.[8]

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[5] Report of Select Committee to Inquire into Government Contracts, House Reports, Thirty-seventh Congress, Third Session, 1862-63, Report No. 49:95.

[6] Ibid., 95-97.

In fact, the ramifications of the prevalent frauds were so extensive that a number of Congressional committees had to be appointed at the same time to carry on an adequate investigation; and even after long inquiries, it was admitted that but the surface had been scratched.

During the Civil War, prominent merchants, with eloquent outbursts of patriotism, formed union defense committees in various Northern cities, and solicited contributions of money and commodities to carry on the war. It was disclosed before the Congressional investigating committees that not only did the leading members of these union defense committees turn their patriotism to thrifty account in getting contracts, but that they engaged in great swindles upon the Government in the process.

Thus, Marcellus Hartley, a conspicuous dealer in military goods, and the founder of a multimillionaire fortune,[9] admitted that he had sold a large consignment of Hall's carbines to a member of the New York Union Defense Committee. In a sudden burst of contrition he went on, "I think the worst thing this Government has been swindled upon has been these confounded Hall's carbines; they have been elevated in price to $22.50, I think."[10] He could have accurately added that these carbines were absolutely dangerous; it was found that their mechanism was so faulty that they would shoot off the thumbs of the very soldiers using them. Hartley was one of the importers who brought over the refuse arms of Europe, and sold them to the Government at extortionate prices. He owned up to having contracts with various of the States (as distinguished from the National Government) for $600,000 worth of these worthless arms.[11] That supereminent multimillionaire of a generation ago, J. Pierpont Morgan, was, as we shall see, profiting during the Civil War from the sale of Hall's carbines to the Government.

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[7] House Reports of Committees, Thirty-seventh Congress, Second Session, 1861-62, vol. ii, Report No. 2:lxxix.

[8] House Reports, Thirty-seventh Congress, Second Session, 1862-63, Report No. 64. The Chairman of this committee, Representative C. H. Van Wyck, of New York, in reporting to the House of Representatives on February 23, 1863, made these opening remarks:

"In the early history of the war it was claimed that frauds and peculations were unavoidable; that the cupidity of the avaricious would take advantage of the necessities of the nation, and for a time must revel and grow rich amidst the groans and griefs of the people; that pressing wants must yield to the extortion of the base; that when the capital was threatened, railroad communication cut off, the most exorbitant prices could safely be demanded for steam and sailing vessels; that when our arsenals had been robbed of arms, gold could not be weighed against cannon and muskets; that the Government must be excused if it suffered itself to be overreached. Yet, after the lapse of two years, we find the same system of extortion prevailing, and robbery has grown more unblushing in its exactions as it feels secure in its immunity from puninshment, and that species of fraud which shocked the nation in the spring of 1861 has been increasing. The fitting out of each expedition by water as well as land is but a refinement upon the extortion and immense profits which preceded it. The freedom from punishment by which the first greedy and rapacious horde were suffered to run at large with ill-gotten gains seems to have demoralized too many of those who deal with the Government."—Appendix to The Congressional Globe, Third Session, Thirty-seventh Congress, 1862-63, Part ii:117.

One of the Congressional committees, investigating contracts for other army material and provisions, found the fullest evidences of gigantic frauds. Exorbitant prices were extorted for tents "which were valueless"; these tents, it appeared, were made from cheap or old "farmers'" drill, regarded by the trade as "truck." Soldiers testified that they "could better keep dry out of them than under."[12] Great frauds were perpetrated in passing goods into the arsenals. One manufacturer in particular, Charles C. Roberts, was awarded a contract for 50,000 haversacks and 50,000 knapsacks. "Every one of these," an expert testified, "was a fraud upon the Government, for they were not linen; they were shoddy."[13] A Congressional committee found that the provisions supplied by contractors were either deleterious or useless. Captain Beckwith, a commissary of subsistence, testified that the coffee was "absolutely good for nothing and is worthless. It is of no use to the Government."

Q. Is the coffee at all merchantable?
A. It is not.
Q. Describe that coffee as nearly as you can.
A. It seems to be a compound of roasted peas, of licorice, and a variety of other substances, with just coffee enough to give it a taste and aroma of coffee.[14]

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[9] When Marcellus Hartley died in 1902, his personal property alone was appraised at $11,000,000. His entire fortune was said to approximate $50,000,000. His chief heir, Marcellus Hartley Dodge, a grandson, married, in 1907, Edith Geraldine Rockefeller, one of the richest heiresses in the world. Hartley was the principal owner of large cartridge, gun and other factories.

[10] House Report No. 2, etc., 1861-62, vol. ii:200-204.

[11] Ibid

[12] House Report No. 64, etc., 1862-63:6.

[13] Ibid.

[14] House Report No. 2, etc., 1861-62, ii:1459.

This committee extracted much further evidence showing how all other varieties of provisions were of the very worst quality, and how "rotten and condemned blankets" in enormous quantities were passed into the army by bribing the inspectors. It disclosed, at great length, how the railroads in their schedule of freight rates were extorting from the Government fifty per cent. more than from private parties.[15] Simon Cameron, leader of the corrupt Pennsylvania political machine, and a railroad manipulator,[16] was at that time Secretary of War. Whom did he appoint as the supreme official in charge of railroad transportation? None other than Thomas A. Scott, the vice-president of the Pennsylvania Railroad. Scott, it may be said, was another capitalist whose work had so often been fulsomely described as being that of "a remarkable constructive ability." The ability he displayed during the Civil War was unmistakable. With his collusion the railroads extorted right and left. The committee described how the profits of the railroads after his appointment rose fully fifty per cent. in one year, and how quartermasters and others were bribed to obtain the transportation of regiments. "This," stated the committee, "illustrates the immense and unnecessary profits which were spirited from the Government and secured to the railroads by the schedule fixed by the vice-president of the Pennsylvania Central under the auspices of Mr. Cameron." [17]

These many millions of dollars extorted in frauds "came," reported the committee, "out of the impoverished and depleted Treasury of the United States, at a time when her every energy and resources were taxed to the utmost to maintain the war." [18]

These are but a few facts of the glaring fraud and corruption prevailing in every line of mercantile and financial business. Great and audacious as Gould's thefts were later, they could not be put on the same indescribably low plane as those committed during the Civil War by men most of whom succeeded in becoming noted for their fine respectability and "solid fortunes." So many momentous events were taking place during the Civil War, that amid all the preparations, the battles and excitement, those frauds did not arouse that general gravity of public attention which, at any other time, would have inevitably resulted. Consequently, the men who perpetrated them contrived to hide under cover of the more absorbing great events of those years. Gould committed his thefts at a period when the public had little else to preoccupy its attention; hence they loomed up in the popular mind as correspondingly large and important.

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[15] House Report No. 2, etc., 1861-62, xxix.

[16] He had been involved in at least one scandal investigated by a Pennsylvania Legislative Committee, and also in several dubious railroad transactions in Maryland.

[17] House Report No. 2, etc., 1861-62, xix. The Pennsylvania Railroad, for example, made in 1862 the sum of $1,350,237.79 more in profits than it did in the preceding year.

[18] Ibid., 4.

A SPECIMEN OF GOULD'S TUITION

At the very dawn of his career in 1857, as a railroad owner, Gould had the opportunity of securing valuable and gratuitous instruction in the ways by which railroad projects and land grants were being bribed through Congress. He was then only twenty-one years old, ready to learn, but, of course, without experience in dealing with legislative bodies. But the older capitalists, veterans at bribing, who for years had been corrupting Congress and the Legislatures, supplied him with the necessary information.

Not voluntarily did they do it; their greatest ally was concealment; but one crowd of them had too baldly bribed Congress to vote for an act giving an enormous land grant in Iowa, Minnesota and other States, to the Des Moines Navigation and Railroad Company. The facts unearthed must have been a lasting lesson to Gould as to how things were done in the exalted halls of Congress. The charges made an ugly stir throughout the United States, and the House of Representatives, in self defense, had to appoint a special committee to investigate itself.

This committee made a remarkable and unusual report. Ordinarily in charges of corruption, investigating committees were accustomed to reporting innocently that while it might have been true that corruption was used, yet they could find no evidence that members had received bribes; almost invariably such committees put the blame, and the full measure of their futile excoriations, on "the iniquitous lobbyists." But this particular committee, surprisingly enough, handed in no such flaccid, whitewashing report. It found conclusively that corrupt combinations of members of Congress did exist; and it recommended the expulsion of four members whom it decreed guilty of receiving either money or land in exchange for their votes. One of these four expelled members, Orasmus B. Matteson, it appeared, was a leader of a corrupt combination; the committee branded him as having arranged with the railroad capitalists to use "a large sum of money [$100,000] and other valuable considerations corruptly." [19]

But it was essentially during the Civil War that Gould received his completest tuition in the great art of seizing property and privileges by bribing legislative bodies. While many sections of the capitalist class were, as we have seen, swindling manifold hundreds of millions of dollars from a hard-pressed country, and reaping fortunes by exploiting the lives of the very defenders of their interests, other sections, equally mouthy with patriotism, were sneaking through Congress and the Legislatures act after act, further legalizing stupendous thefts.

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[19] Reports of Committees, House of Representatives, Thirty-fourth Congress, Third Session, 1856-57. Report No. 243, Vol. iii. In subsequent chapters many further details are given of the corruption during this period.

PATRIOTISM AT FIFTY PER CENT

Some of these acts, demanded by the banking interests, made the people of the United States pay an almost unbelievable usurious interest for loans. These banking statutes were so worded that nominally the interest did not appear high; in reality, however, by various devices, the bankers, both national and international, were often able to extort from twenty to fifty, and often one hundred per cent., in interest, and this on money which had at some time or somehow been squeezed out of exploited peoples in the United States or elsewhere.

By these laws the bankers were allowed to get an annual payment from the Government of six per cent. interest in gold on the Government bonds that they bought. They could then deposit those same bonds with the Government, and issue their own bank notes against ninety per cent. of the bonds deposited. They drew interest from the Government on the deposited bonds, and at the time charged borrowers an exorbitant rate of interest for the use of the bank notes, which passed as currency.

It was by this system of double interest that they were able to sweep into their coffers hundreds upon hundreds of millions of dollars, not a dollar of which did they earn, and all of which were sweated out of the adversities of the people of the United States. From 1863 to 1878 alone the Government paid out to national banks as interest on bonds the enormous sum of $252,837,556.77.[20] On the other hand, the banks were entirely relieved from paying taxes; they secured the passage of a law exempting Government bonds from taxation. Armies were being slaughtered and legions of homes desolated, but it was a rich and safe time for the bankers; a very common occurrence was it for banks to declare dividends of twenty, forty, and sometimes one hundred, per cent.

It was also during the stress of this Civil War period, when the working and professional population of the nation was fighting on the battlefield, or being taxed heavily to support their brothers in arms, that the capitalists who later turned up as owners of various Pacific railroad lines were bribing through Congress acts giving them the most comprehensive perpetual privileges and great grants of money and of land.

Gould saw how all of the others of the wealth seekers were getting their fortunes; and the methods that he now plunged into use were but in keeping with theirs, a little bolder and more brutally frank, perhaps, but nevertheless nothing more than a repetition of what had long been going on in the entire sphere of capitalism.

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[20] House Documents, Forty-fifth Congress, Second Session, Ex. Document No. 34, Vol. xiv., containing the reply of Secretary of the Treasury Sherman, in answer to a resolution of the House of Representatives.

Chapter X

THE SECOND STAGE OF THE GOULD FORTUNE

The first medium by which Jay Gould transferred many millions of dollars to his ownership was by his looting and wrecking of the Erie Railroad. If physical appearance were to be accepted as a gauge of capacity, none would suspect that Gould contained the elements of one of the boldest and ablest financial marauders that the system in force had as yet produced. About five feet six inches in height and of slender figure, he gave the random impression of being a mild, meek man, characterized by excessive timidity. His complexion was swarthy and partly hidden by closely-trimmed black whiskers; his eyes were dark, vulpine and acutely piercing; his forehead was high. His voice was very low, soft and insinuating.

PRIVATE CONFISCATION OF THE ERIE RAILROAD

The Erie Railroad, running from New York City to Buffalo and thence westward to Chicago, was started in 1832. In New York State alone, irrespective of gifts in other States, it received what was virtually a gift of $3,000,000 of State funds, and $3,217,000 interest, making $6,217,000 in all. Counties, municipalities and towns through which it passed were prevailed upon to contribute freely donations of money, lands and rights. From private proprietors in New York State it obtained presents of land then valued at from $400,000 to $500,000,[1] but later worth tens of millions of dollars. In addition, an extraordinary series of special privileges and franchises was given to it. This process was manifolded in every State through which the railroad passed. The cost of construction and equipment came almost wholly from the grants of public funds.[2]

Confiding in the fair promises of its projectors, the people credulously supposed that their interests would be safeguarded. But from time to time, Legislature after Legislature was corrupted or induced to enact stealthy acts by which the railroad was permitted to pass without restriction into the possession of a small clique of exploiters and speculators. Not only were the people cheated out of funds raised by public taxation and advanced to build the road—a common occurrence in the case of most railroads—but this very money was claimed by the capitalist owners as private capital, large amounts of bonds and stocks were issued against it, and the producers were assessed in the form of high freight and passenger rates to pay the necessary interest and dividends on those spurious issues.

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[1] Report on the New York and Erie Railroad Company, New York State Assembly Document, No. 50, 1842. See also, Investigation of the Railroads of the State of New York, 1879, 1:100.

[2] "The Erie Railway was built by the citizens of this State with money furnished by its people. The State in its sovereign capacity gave the corporation $3,000,000. The line was subsequently captured, or we may say stolen, by the fraudulent issue of more than $50,000,000 of stock." . . . "An Analysis of the Erie Reorganization bill, etc., submitted to the Legislature by John Livingston, Esq., counsel for the Erie Railway Shareholders, 1876."

THE SPECULATOR, DREW, GETS CONTROL

Not satisfied with the thefts of public funds, the successive cliques in control of the Erie Railroad continually plundered its treasury, and defrauded its stockholders. So little attention was given to efficient management that shocking catastrophes resulted at frequent intervals. A time came, however, when the old locomotives, cars and rails were in such a state of decay, that the replacing of them could no longer be postponed. To do this money was needed, and the treasury of the company had been continuously emptied by looting.

The directors finally found a money loaner in Daniel Drew, an uncouth usurer. He had graduated from being a drover and tavern keeper to being owner of a line of steamboats plying between New York and Albany. He then, finally, had become a Wall street banker and broker. For his loans Drew exacted the usual required security. By 1855 he had advanced nearly $2,000,000—$500,000 in money, the remainder in endorsements. The Erie directors could not pay up, and the control of the railroad passed into his hands. As ignorant of railroad management as he was of books, he took no pains to learn; during the next decade he used the Erie railroad simply as a gambling means to manipulate the price of its stocks on the Stock Exchange. In this way he fleeced a large number of dupes decoyed into speculation out of an aggregate of millions of dollars.

Old Cornelius Vanderbilt looked on with impatience. He foresaw the immense profits which would accrue to him if he could get control of the Erie Railroad; how he could give the road a much greater value by bettering its equipment and service, and how he could put through the same stock-watering operations that he did in his other transactions. Tens of millions of dollars would be his, if he could only secure control. Moreover, the Erie was likely at any time to become a dangerous competitor of his railroads. Vanderbilt secretly began buying stock; by 1866 he had obtained enough to get control. Drew and his dummy directors were ejected, Vanderbilt superseding them with his own.

VANDERBILT OUSTS DREW, THEN RESTORES HIM

The change was worked with Vanderbilt's habitual brusque rapidity. Drew apparently was crushed. He had, however, one final resource, and this he now used with histrionic effect. In tears he went to Vanderbilt and begged him not to turn out and ruin an old, self-made man like himself. The appeal struck home. Had the implorer been anyone else, Vanderbilt would have scoffed. But, at heart, he had a fondness for the old illiterate drover whose career in so many respects resembled his own. Tears and pleadings prevailed; in a moment of sentimental weakness—a weakness which turned out to be costly—Vanderbilt relented. A bargain was agreed upon by which Drew was to resume directorship and represent Vanderbilt's interests and purposes.

Reinstated in the Erie board, Drew successfully pretended for a time that he was fully subservient. Ostensibly to carry out Vanderbilt's plans he persuaded that magnate to allow him to bring in as directors two men whose pliancy, he said, could be depended upon. These were Jay Gould, demure and ingratiating, and James Fisk, Jr., a portly, tawdry, pompous voluptuary. In early life Fisk had been a peddler in Vermont, and afterwards had managed an itinerant circus. Then he had become a Wall street broker. Keen and suspicious as old Vanderbilt was, and innately distrustful of both of them, he nevertheless, for some inexplicable reason, allowed Drew to install Gould and Fisk as directors. He knew Gould's record, and probably supposed him, as well as Fisk, handy tools (as was charged) to do his "dirty work" without question. He put Drew, Gould and Fisk on Erie's executive committee. In that capacity they could issue stock and bonds, vote improvements, and generally exercise full authority.

DREW, GOULD AND FISK BETRAY VANDERBILT

At first, they gave every appearance of responding obediently to Vanderbilt's directions. Believing it to his interest to buy as much Erie stock as he could, both as a surer guarantee of control, and to put his own price upon it, Vanderbilt continued purchasing. The trio, however, had quietly banded to mature a plot by which they would wrest away Vanderbilt's control.

This was to be done by flooding the market with an extra issue of bonds which could be converted into stock, and then by running down the price, and buying in the control themselves. It was a trick that Drew had successfully worked several years before. At a certain juncture he was apparently "caught short" in the Stock Exchange, and seemed ruined. But at the critical moment he had appeared in Wall street with fifty-eight thousand shares of stock, the existence of which no one had suspected. These shares had been converted from bonds containing an obscure clause allowing the conversion. The projection of this large number of shares into the stock market caused an immediate and violent decline in the price. By selling "short"—a Wall street process which we have described elsewhere—Drew had taken in large sums as speculative winnings.

The same ruse Drew, Gould and Fisk now proceeded to execute on Vanderbilt. Apparently to provide funds for improving the railroad, they voted to issue a mass of bonds. Large quantities of these they turned over to themselves as security for pretended advances of moneys. These bonds were secretly converted into shares of stock, and then distributed among brokerage houses of which the three were members. Vanderbilt, intent upon getting in as much as he could, bought the stock in unsuspectingly. Then came revelations of the treachery of the three men, and reports of their intentions to issue more stock.

Vanderbilt did not hesitate a moment. He hurried to invoke the judicial assistance of Judge George C. Barnard, of the New York State Supreme Court. He knew that he could count on Barnard, whom at this time he corruptly controlled. This judge was an unconcealed tool of corporate interests and of the plundering Tweed political "ring"; for his many crimes on the bench he was subsequently impeached.[3] Barnard promptly issued a writ enjoining the Erie directors from issuing further stock, and ordered them to return to the Erie treasury one-fourth of that already issued. Furthermore, he prohibited any more conversion of bonds into stock on the ground that it was fraudulent.

So pronounced a victory was this considered for Vanderbilt, that the market price of Erie stock went up thirty points. But the plotters had a cunning trick in reserve. Pretending to obey Barnard's order, they had Fisk wrench away the books of stock from a messenger boy summoned ostensibly to carry them to a deposit place on Pine street. They innocently disclaimed any knowledge of who the thief was; as for the messenger boy, he "did not know." These one hundred thousand shares of stock Drew, Gould and Fisk instantly threw upon the stock market. No one else had the slightest suspicion that the court order was being disobeyed. Consequently, Vanderbilt's brokers were busily buying in this load of stock in million-dollar bunches; other persons were likewise purchasing. As fast as the checks came in, Drew and his partners converted them into cash.

GOULD AND HIS PARTNERS FLEE WITH MILLIONS

It was not until the day's activity was over that Vanderbilt, amazed and furious, realized that he had been gouged out of $7,000,000. Other buyers were also cheated out of millions. The old man had been caught napping; it was this fact which stung him most. However, after the first paroxysm of frenzied swearing, he hit upon a plan of action. The very next morning warrants were sworn out for the arrest of Drew, Fisk and Gould. A hint quickly reached them; they thereupon fled to Jersey City out of Barnard's jurisdiction, taking their cargo of loot with them. According to Charles Francis Adams, in his "Chapters of Erie," one of them bore away in a hackney coach bales containing $6,000,000 in greenbacks.[4] The other two fugitives were loaded down with valises crammed with bonds and stocks.

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[3] At his death $1,000,000 in bonds and cash were found among his effects.

Here in more than one sense was an instructive and significant situation. Vanderbilt, the foremost blackmailer of his time, the despoiler of the National Treasury during the Civil War, the arch corruptionist, virtuously invoking the aid of the law on the ground that he had been swindled! Drew, Gould and Fisk sardonically jested over it. But joke as they well might over their having outwitted a man whose own specialty was fraud, they knew that their position was perilous. Barnard's order had declared their sales of stock to be fraudulent, and hence outlawed; and, moreover, if they dared venture back to New York, they were certain, as matters stood, of instant arrest with the threatened alternative of either disgorging or of a criminal trial and possibly prison. To themselves they extenuated their acts with the comforting and self-sufficient explanation that they had done to Vanderbilt precisely what he had done to others, and would have done to them. But it was not with themselves that the squaring had to be done, but with the machinery of law; Vanderbilt was exerting every effort to have them imprisoned.

How was this alarming exigency to be met? They speedily found a way out. While Vanderbilt was thundering in rage, shouting out streaks of profanity, they calmly went ahead to put into practice a lesson that he himself had thoroughly taught. He controlled a sufficient number of judges; why should not they buy up the Legislature, as he had often done? The strategic plan was suggested of getting the New York Legislature to pass an act legalizing their fraudulent stock issues. Had not Vanderbilt and other capitalists often bought up Congress and Legislatures and common councils? Why not now do the same? They well knew the approved method of procedure in such matters; an onslaught of bribing legislators, they reckoned, would bring the desired result.

GOULD BRIBES THE LEGISLATURE WITH $500,000

Stuffing $500,000 in his satchel, Gould surreptitiously hurried to Albany. Detected there and arrested, he was released under heavy bail which a confederate supplied. He appeared in court in New York City a few days later, but obtained a postponement of the action. No time was lost by him. "He assiduously cultivated," wrote Adams, "a thorough understanding between himself and the Legislature." In the face of sinister charges of corruption, the bill legalizing the fraudulent stock issues was passed. Ineffectually did Vanderbilt bribe the legislators to defeat it; as fast as they took and kept his money, Gould debauched them with greater sums. One Senator in particular, as we have seen, accepted $75,000 from Vanderbilt, and $100,000 from Gould, and pocketed both amounts.

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[4] "Chapters of Erie": 30.

A brisk scandal naturally ensued. The usual effervescent expedient of appointing an investigating committee was adopted by the New York State Senate on April 10, 1868. This committee did not have to investigate to learn the basic facts; it already knew them. But it was a customary part of the farce of these investigating bodies to proceed with a childlike assumption of entire innocence.

Many witnesses were summoned, and much evidence was taken. The committee reported that, according to Drew's testimony, $500,000 had been drawn out of the Erie railroad's treasury, ostensibly for purposes of litigation, and that it was clear "that large sums of money did come from the treasury of the Erie Railroad Company, which were expended for some purpose in Albany, for which no vouchers seem to have been filed in the offices of the company." The committee further found that "large sums of money were expended for corrupt purposes by parties interested in legislation concerning railways during the session of 1868."

But who specifically did the bribing? And who were the legislators bribed? These facts the committee declared that it did not know. This investigating sham resulted, as almost always happened in the case of similar inquisitions, in the culpability being thrown upon certain lobbyists "who were enriched." These lobbyists were men whose trade it was to act as go-betweens in corrupting legislators. Gould and Thompson—the latter an accomplice—testified that they had paid "Lou" Payn, a lobbyist who subsequently became a powerful Republican politician, $10,000 "for a few days' services in Albany in advocating the Erie bill"; and it was further brought out that $100,000 had been given to the lobbyists Luther Caldwell and Russell F. Hicks, to influence legislation and also to shape public opinion through the press. Caldwell, it appeared, received liberal sums from both Vanderbilt and Gould.[5] A subsequent investigating committee appointed, in 1873, to inquire into other charges, reported that in the one year of 1868 the Erie railroad directors, comprising Drew, Gould, Fisk and their associates, had spent more than a million dollars for "extra and legal services," and that it was "their custom from year to year to spend large sums to control elections and to influence legislation."[6] Vanderbilt later succeeded in compelling the Erie Railroad to reimburse him for the sums that he thus corruptly spent in fighting Drew, Gould and Fisk.[7]

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[5] Report of the Select Committee of the New York Senate, appointed April 10, 1868, in relation to Members Receiving Money from Railway Companies. Senate Document No. 52, 1869:3-12, and 137, 140-146.

[6] Report of the Select Committee of the Assembly, Assembly Documents, 1873, Doc. No. 98:xix.

"What the Erie has done," the Committee reported, "other great corporations are doubtless doing from year to year. Combined as they are, the power of the great moneyed corporations of this country is a standing menace to the liberties of the people.

"The railroad lobby flaunts its ill-gotten gains in the faces of our legislatures, and in all our politics the debasing effect of its influence is felt" (p. 18).

Their huge thefts having been legalized, Drew, Gould and Fisk returned to Jersey City. But their path was not yet clear. Vanderbilt had various civil suits in New York against them; moreover they were adjudged in contempt of court. Parleying now began. With the severest threats of what the courts would do if they refused, Vanderbilt demanded that they buy back the shares of stock that they had unloaded upon him.

Drew was the first to compromise; Gould and Fisk shortly afterward followed. They collectively paid Vanderbilt $2,500,000 in cash, $1,250,000 in securities for fifty thousand Erie shares, and another million dollars for the privilege of calling upon him for the remaining fifty thousand shares at any time within four months. Although this settlement left Vanderbilt out of pocket to the extent of almost two million dollars, he consented to abandon his suits. The three now left their lair in Jersey City and transferred the Erie offices to the Grand Opera House, at Eighth avenue and Twenty-third street, New York City. In this collision with Vanderbilt, Gould learned a sharp lesson he thereafter never overlooked; namely, that it was not sufficient to bribe common councils and legislatures; he, too, must own his judges. Events showed that he at once began negotiations.

GOULD AND FISK THROW OVER DREW

The next development was characteristic. Having no longer any need for their old accomplice, Gould and Fisk, by tactics of duplicity, gradually sheared Drew and turned him out of the management to degenerate into a financial derelict. It was Drew's odd habit, whenever his plans were crossed, or he was depressed, to rush off to his bed, hide himself under the coverlets and seek solace in sighs and self-compassion, or in prayer —for with all his unscrupulousness he had an orthodox religious streak. When Drew realized that he had been plundered and betrayed, as he had so often acted to others, he sought his bed and there long remained in despair under the blankets. The whimsical old extortionist never regained his wealth or standing. Upon Drew's effacement Gould caused himself to be made president and treasurer of the Erie Railroad, and Fisk vice-president and controller.

When Gould and Fisk began to turn out more watered stock various defrauded malcontent stockholders resolved to take an intervening hand. This was a new obstacle, but it was coolly met. Gould and Fisk brought in gangs of armed thugs to prevent these stockholders from getting physical possession of the books of the company. Then the New York Legislature was again corrupted.

A bill called the Classification Act, drafted to insure Gould and

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[7] Railroad Investigation of the State of New York, 1879, ii:1654.

Fisk's legal control, was enacted. This bill provided that only one-fifth of the board of directors should be retired in any year. By this means, although the majority of stockholders might be opposed to the Gould-Fisk management, it would be impossible for them to get possession of the road for at least three years, and full possession for not less than five years.

But to prevent the defrauded large stockholders from getting possession of the railroad through the courts, another act was passed. This provided that no judgment to oust the board of directors could be rendered by any court unless the suit was brought by the Attorney-General of the State. It was thus only necessary for Gould and Fisk to own the Attorney-General entirely (which they took pains, of course, to do) in order to close the courts to the defrauded stockholders. On a trumped-up suit, and by an order of one of the Tweed judges, a receiver was appointed for the stock owned by foreign stockholders; and when any of it was presented for record in the transfer book of the Erie railroad, the receiver seized it. In this way Gould and Fisk secured practical possession of $6,000,000 of the $50,000,000 of stock held abroad.

ALLIANCE WITH CORRUPT POLITICS AND JUDICIARY

From 1868 to 1872 Gould, abetted by subservient directors, issued two hundred and thirty-five thousand more shares of stock.[8] The frauds were made uncommonly easy by having the Tweed machine as an auxiliary; in turn, Tweed, up to 1871, controlled the New York City and State dominant political machine, including the Legislature and many of the judges. To insure Tweed's connivance, they made him a director of the Erie Railroad, besides heavily bribing him.[9] With Tweed as an associate they were able to command the judges who owed their elevation to him. Barnard, one of Tweed's servile tools, was sold over to Gould and Fisk, and so thoroughly did this judge prostitute his office at their behest that once, late at night, at Fisk's order, he sportively held court in the apartment of Josie Mansfield, Fisk's mistress.[10]

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[8] Fisk was murdered by a rival in 1872 in a feud over Fisk's mistress. His death did not interrupt Gould's plans.

[9] "Did you ever receive any money from either Fisk or Gould to be used in bribing the Legislature?" Tweed was asked by an aldermanic committee in 1877, after his downfall.

A. "I did sir! They were of frequent occurrence. Not only did I receive money but I find by an examination of the papers that everybody else who received money from the Erie railroad charged it to me."—Documents of the Board of Aldermen, 1877, Part II, No. 8:49.

[10] The occasion grew out of an attempt of Gould and Fisk in 1869 to get control of the Albany and Susquehanna Railroad. Two parties contested—the Gould and the "Ramsey," headed by J. Pierpont Morgan. Each claimed the election of its officers and board of directors. One night, at half-past ten o'clock, Fisk summoned Barnard from Poughkeepsie to open chambers in Josie Mansfield's rooms. Barnard

When the English stockholders sent over a large number of shares to be voted in for a new management, it was Barnard who allowed this stock to be voted by Gould and Fisk. At another time Gould and Fisk called at Barnard's house and obtained an injunction while he was eating breakfast.

It was largely by means of his corrupt alliance with the Tweed "ring" that Gould was able to put through his gigantic frauds from 1868 to 1872.

Gould was, indeed, the unquestioned master mind in these transactions; Fisk and the others merely executed his directions. The various fraudulent devices were of Gould's origination. A biographer of Fisk casually wrote at the time: "Jay Gould and Fisk took William M. Tweed into their board, and the State Legislature, Tammany Hall and the Erie 'ring' were fused together and have contrived to serve each other faithfully."[11] Gould admitted before a New York State Assembly investigating committee in 1873 that, in the three years prior to 1873, he had paid large sums to Tweed and to others, and that he had also disbursed large sums "which might have been used to influence legislation or elections." These sums were facetiously charged on the Erie books to "India Rubber Account"—whatever that meant.

Gould cynically gave more information. He could distinctly recall, he said, "that he had been in the habit of sending money into various districts throughout the State," either to control nominations or elections for Senators or members of the Assembly. He considered "that, as a rule, such investments paid better than to wait until the men got to Albany." Significantly he added that it would be as impossible to specify the numerous instances "as it would be to recall the number of freight cars sent over the Erie Railroad from day to day." His corrupt operations, he indifferently testified, extended into four different States. "In a Republican district I was a Republican; in a Democratic district, a Democrat; in a doubtful district I was doubtful; but I was always for Erie."[12] The funds that he thus used in widespread corruption came obviously from the proceeds of his great thefts; and he might have added, with equal truth, that with this stolen money he was able to employ some of the most eminent lawyers of the day, and purchase judges.

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hurried there, and issued an order ousting Ramsey from the presidency. Judge Smith at Rochester subsequently found that Ramsey was legally elected, and severely denounced Gould and Fisk.—"Letters of General Francis C. Barlow, Albany":1871.

The records of this suit (as set forth in Lansing's Reports, New York Supreme Court, 1:308, etc.) show that each of the contesting parties accused the other of gross fraud, and that the final decision was favorable to the "Ramsey" party. See the chapters on J. Pierpont Morgan later in this work.

[11] "A Life of James Fisk, Jr.," New York, 1871.

[12] Report of, and Testimony Before, the Select Assembly Committee, 1873, Assembly Documents, Doc. No. 98:xx, etc.

GOULD'S TRADING CLASS SUPPORT

Those writers who are content with surface facts, or who lack understanding of popular currents, either state, or leave the inference, that it was solely by bribing and trickery that Gould was able to consummate his frauds. Such assertions are altogether incorrect. To do what he did required the support, or at least tolerance, of a considerable section of public opinion. This he obtained. And how? By posing as a zealous anti-monopolist.

The cry of anti-monopoly was the great fetich of the entire middle class; this class viewed with fear the growing concentration of wealth; and as its interests were reflected by a large number of organs of public opinion, it succeeded in shaping the thoughts of no small section of the working class.

While secretly bribing, Gould constantly gave out for public consumption a plausible string of arguments, in which act, by the way, he was always fertile. He represented himself as the champion of the middle and working classes in seeking to prevent Vanderbilt from getting a monopoly of many railroads. He played adroitly upon the fears, the envy and the powerful main-springs of the self interest of the middle class by pointing out how greatly it would be at the mercy of Vanderbilt should Vanderbilt succeed in adding the Erie Railroad and other railroads to his already formidable list.

It was a time of all times when such arguments were bound to have an immense effect; and that they did was shown by the readiness with which the trading class excused his corruption and frauds on the ground that he seemed to be the only man who proved that he could prevent Vanderbilt from gobbling up all of the railroads leading from New York City. With a great fatuousness the middle class supposed that he was fighting for its cause.

The bitterness of large numbers of the manufacturing, jobbing and agricultural classes against Commodore Vanderbilt was deep-seated. By an illegal system of preferential freight rates to certain manufacturers, Vanderbilt put these favorites easily in a position where they could undersell competitors. Thus, A. T. Stewart, one of the noted millionaire manufacturers and merchants of the day, instead of owing his success to his great ability, as has been set forth, really derived it, to a great extent, from the secret preferential freight rates that he had on the Vanderbilt railroads. A variety of other coercive methods were used by Vanderbilt. Special freight trains were purposely delayed and run at snail's pace in order to force shippers to pay the extraordinary rates demanded for shipping over the Merchant's Dispatch, a fast freight line owned by the Vanderbilt family.

These were but a few of the many schemes for their private graft that the Vanderbilts put in force. The agricultural class was taxed heavily on every commodity shipped; for the transportation of milk, for example, the farmer was taxed one-half of what he himself received for milk. These taxes, of course, eventually fell upon the consumer, but the manufacturer and the farmer realized that if the extortions were less, their sales and profits would be greater. They were in a rebellious mood and gladly welcomed a man such as Gould who thwarted Vanderbilt at every turn. Gould well knew of this bitter feeling against Vanderbilt; he used it, and thrust himself forward constantly in the guise of the great deliverer.

As for the small stockholders of the Erie Railroad, Gould easily pacified them by holding out the bait of a larger dividend than they had been getting under the former regime. This he managed by the common and fraudulent expedient of issuing bonds, and paying dividends out of proceeds. So long as the profits of these small stockholders were slightly better than they had been getting before, they were complacently satisfied to let Gould continue his frauds. This acquiescence in theft has been one of the most pronounced characteristics of the capitalistic investors, both large and small. Numberless instances have shown that they raise no objections to plundering management provided that under it their money returns are increased.

The end of Gould's looting of the Erie Railroad was now in sight. However the small stockholders might assent, the large English stockholders, some of whom had invidious schemes of their own in the way of which Gould stood, were determined to gain control themselves.

GOULD'S DIRECTORS BRIBED TO RESIGN

They made no further attempt to resort to the law. A fund of $300,000 was sent over by them to their American agents with which to bribe a number of Gould's directors to resign. As Gould had used these directors as catspaws, they were aggrieved because he had kept all of the loot himself. If he had even partly divided, their sentiments would have been quite different. The $300,000 bribery fund was distributed among them, and they carried out their part of the bargain by resigning.[13] The Assembly Investigating Committee of 1873 referred carelessly to the English stockholders as being "impatient at the law's delay" and therefore taking matters into their own hands. If a poor man or a trade union had become "impatient at the law's delay" and sought an illegal remedy, the judiciary would have quickly pronounced condign punishment and voided the whole proceeding. The boasted "majesty of law" was a majesty to which the underdogs only were expected to look up to in fear and trepidation.

When the English stockholders elected their own board Gould obtained an injunction from the courts. This writ was absolutely disregarded, and the anti-Gould faction on March 11, 1872, seized possession of the offices and books of the company by physical force. Did the courts punish these men for criminal contempt? No effort was made to. Many a worker or labor union leader had been sent to jail (and has been since, for "contempt of court," but the courts evidently have been willing enough to stomach all of the contempt profusely shown for them by the puissant rich. The propertyless owned nothing, not to speak of a judge, but the capitalists owned whole strings of judges, and those whom they did not own or corrupt were generally influenced to their side by association or environment. "All of this," reported the Assembly Investigating Committee of 1873, speaking of the means employed to overthrow Gould, "has been done without authority of law." But no law was invoked by the officials to make the participants account for their illegal acts.

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[13] Assembly Document No. 98, 1873:xii and xiii. The English stockholders took no chances on this occasion. The committee reported that not until the directors had resigned did they "receive their price."

THE LEGISLATURE BRIBED AGAIN

It seems that the entire amount, including the large fees paid to agents and lawyers, corruptly expended by the English capitalists in ousting Gould, was $750,000. Did they foot this bill out of their own pockets? By no means. They arranged the reimbursements by voting this sum to themselves out of the Erie Railroad treasury;[14] that is to say, they compelled the public to shoulder it by adding to the bonded burdens on which the people were taxed to pay interest.

To complete their control they bribed the New York Legislature to repeal the Classification Act. As has been shown, the Legislature of 1872 was considered a "reform" body, and it also has been brought out how Vanderbilt bribed it to give him invaluable public franchises and large grants of public money. In fact, other railroad magnates as well as he systematically bribed; and it is clear that they contributed jointly a pool of money both to buy laws and to prevent the passage of objectionable acts. "It appears conclusive," reported the Assembly Investigating Committee of 1873, "that a large amount—reported by one witness at $100,000—was appropriated for legislative purposes by the railroad interest in 1872, and that this [$30,000] was Erie's proportion." [15] One of the lobbyists, James D. Barber, "a ruling spirit in the Republican party," admitted receiving $50,000 from the Vanderbilts.[16] While uniting to suppress bills feared by them all, each of the magnates bribed to foil the others' purposes.

GOULD'S DIRECT ERIE LOOT WAS $12,000,000

What did Gould's plunder amount to? His direct loot, by reason of his Erie frauds, seems to have reached more than twelve million dollars, all, or nearly all, of which he personally kept.

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[14] Assembly Document No. 98, 1873:xii and xvi.

[15] Ibid., xvii.

[16] Ibid., 633.

That sum, considering the falling prices of commodities after the panic of 1873, and comparable with current standards of cost and living, was equivalent to perhaps double the amount at another time. Various approximations of his plunderings were made. After a minute examination of the Erie railroad's books, Augustus Stein, an expert accountant, testified before the "Hepburn Committee" (the New York Assembly Investigating Committee of 1879) that Gould had himself pocketed twelve or thirteen million dollars.[17]

This, however, was only one aspect. Between 1868 and 1873 Gould and his accomplices had issued $64,000,000 of watered stock. Gould, so the Erie books revealed, had charged $12,000,000 as representing the outlay for construction and equipment, yet not a new rail had been laid, nor a new engine put in use, nor a new station built. These twelve millions or more were what he and his immediate accomplices had taken outright from the Erie Railroad treasury. Considerable sums were, of course, paid corruptly to politicians, but Gould got them all back, as well as the plunder of his associates, by personally manipulating Erie stock so as to compel them to sell at a great loss to themselves, and a great profit to himself. Furthermore, in these manipulations of stock, he scooped in more millions from other sources.

Had it not been for his intense greed and his constitutional inability to remain true to his confederates, Gould might have been allowed to retain the proceeds of his thefts. His treachery to one of them, Henry N. Smith, who had been his partner in the brokerage firm of Smith, Gould and Martin, resulted in trouble. Gould cornered the stock of the Chicago and Northwestern Railroad; to put it more plainly, he bought up the outstanding available supply of shares, and then ran the price up from 75 to 250. Smith was one of a number of Wall Street men badly mulcted in this operation, as Gould intended. Seeking revenge, Smith gave over the firm's books, which were in his possession, to General Barlow, counsel for the Erie Railroad's protesting stockholders.[18] Evidence of great thefts was quickly discovered, and an action was started to compel Gould to disgorge about $12,000,000. A criminal proceeding was also brought, and Gould was arrested and placed under heavy bonds.

AN EXTRAORDINARY "RESTITUTION"

Apparently Gould was trapped. But a wonderful and unexpected development happened which filled the Wall Street legion with admiration for his craft and audacity. He planned to make his very restitution the basis for taking in many more millions by speculation; he knew that when it was announced that he had concluded to disgorge, the market value of the stock would instantly go up and numerous buyers would appear.

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[17] Q.—Do you think that you could remember the aggregate amount of wrongdoing on the part of Mr. Gould that you have discovered?

A.—I could give an estimate throwing off a couple of millions here and there; I could say that it amounted to—that is, what we discovered—amounted to about twelve or thirteen million dollars.—Railroad Investigation of the State of New York, 1879, ii:1765.

[18] Railroad Investigation, etc., v:531.

Secretly he bought up as much Erie stock as he could. Then he ostentatiously and with the widest publicity declared his intention to make restitution. Such a cackling sensation it made! The price of Erie stock at once bounded up, and his brokers sold quantities of it to his great accruing profit. The pursuing stockholders assented to his offer to surrender his control of the Erie Railroad and to accept real estate and stocks seemingly worth $6,000,000. But after the stockholders had withdrawn their suits, they found that they had been tricked again. The property that Gould had turned over to them did not have a market value of more than $200,000.[19]

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[19] Railroad Investigation, etc., 1879, iii:2503.

One of the very rare instances in which any of Gould's victims was able to compel him to disgorge, was that described in the following anecdote, which went the rounds of the press:

"An old friend had gone to Gould, telling him that he had managed to save up some $20,000, and asking his advice as to how he should invest it in such a manner as to be absolutely safe, for the benefit of his family. Gould told him to invest it in a certain stock, and assured him that the investment would be absolutely safe as to income, and, besides, its market value would shortly be greatly enhanced.

"The man did as advised by Gould, and the stock promptly started to go down. Lower and lower it went, and seeing the steady depreciation in the price of the stock, and hearing stories to the effect that the dividends were to be passed, the man wrote to Gould asking if the investment was still good. Gould replied to his friend's letter, assuring him that the stories had no foundation in fact and were being circulated purely for market effect.

"But still the stock declined. Each day the price went to new lower figures on the Stock Exchange, and finally the rumors became fact, and the Directors passed the dividend. The man had seen the savings of years vanish in a few months and realized that he was a ruined man.

"Goaded to an almost insane frenzy, he rushed into Gould's office the afternoon the Directors announced the passing of the dividend, and told Gould that he had been deliberately and grossly deceived and that he was ruined. He wound up by announcing his intention of shooting Gould then and there.

"Gould heard his quondam friend through. There could be no mistaking the man's intent. He was evidently half crazed and possessed of an insane desire to carry out his threat. Gould turned to him and said: 'My dear Mr. ——' calling him by name, 'you are laboring under a most serious misapprehension. Your money is not lost. If you will go down to my bank to-morrow morning, you will find there is a balance of $25,000 to your credit. I sold out your stock some time ago, but had neglected to notify you.' The man looked at him in amazement and, half doubting, left the office.

"As soon as he had left the office Gould sent word to his bank to place $25,000 to this man's credit. The man spent a sleepless night, torn by doubts and fears. When the bank opened for business he was the first man in line, and was nearly overcome when the cashier handed him the sum that Gould had named the previous afternoon.

"Gould had evidently decided in his own mind that the man was determined to kill him, and that the only way to save his life and his name was to pay the man the sum he had lost plus a profit, in the manner he did. But as a sidelight on the absolutely cold-blooded self-possession of the man, it is interesting."

Gould's Erie Railroad operations were, however, only one of his looting transactions during those busy years. At the same time, he was using these stolen millions to corner the gold supply. In this "Black Friday" conspiracy (for so it was styled) he fraudulently reaped another eleven million dollars to the accompaniment of a financial panic, with a long train of failures, suicides and much disturbance and distress.

Chapter XI

THE GOULD FORTUNE BOUNDS FORWARD

The "gold conspiracy" as plotted and consummated by Gould was in its day denounced as one of the most disgraceful events in American history. To adjudge it so was a typical exaggeration and perversion of a society caring only about what was passing in its upper spheres. The spectacular nature of this episode, and the ruin it wrought in the ranks of the money dealers and of the traders, caused its importance to be grossly misrepresented and overdrawn.

THE ABUSE OF GOULD OVERDONE

It was not nearly as discreditable as the gigantic and repulsive swindles that traders and bankers had carried on during the dark years of the Civil War. The very traders and financiers who beslimed Gould for his "gold conspiracy" were those who had built their fortunes on blood-soaked army contracts. Nor could the worst aspects of Gould's conspiracy, bad as they were, begin to vie in disastrous results with the open and insidious abominations of the factory and landlord system. To repeat, it was a system in which incredible numbers of working men, women and children were killed off by the perils of their trades, by disease superinduced and aggravated by the wretchedness of their work, and by the misery of their lot and habitations. Millions more died prematurely because of causes directly traceable to the withering influences of poverty.

But this unending havoc, taking place silently in the routine departments of industry, and in obscure alleyways, called forth little or no notice. What if they did suffer and perish? Society covered their wrongs and injustices and mortal throes with an inhibitive silence, for it was expected that they, being lowly, should not complain, obtrude grievances, or in any way make unpleasant demonstrations. Yet, if the prominent of society were disgruntled, or if a few capitalists were caught in the snare of ruin which they had laid for others, they at once bestirred themselves and made the whole nation ring with their outcries and lamentations. Their merest whispers became thunderous reverberations. The press, the pulpit, legislative chambers and the courts became their strident voices, and in all the influential avenues for directing public opinion ready advocates sprang forth to champion their plaints, and concentrate attention upon them. So it was in the "gold conspiracy."

GOULD EMBARKS ON HIS CONSPIRACY

After the opening of the Civil War, gold was exceedingly scarce, and commanded a high premium. The supply of this metal, this yellow dross, which to a considerable degree regulated the world's relative values of wages and commodities, was monopolized by the powerful banking interests. In 1869 but fifteen million dollars of gold was in actual circulation in the United States.

Notwithstanding the increase of industrial productive power, the continuous displacement of obsolete methods by the introduction of labor-saving machinery, and the consecutive discovery of new means for the production of wealth, the task of the worker was not lightened. He had, for the most part, after great struggles, secured a shorter workday, but if the hours were shorter the work was more tense and racking than in the days before steam-driven machinery supplanted the hand tool. The mass of the workers were in a state of dependence and poverty. The land, industrial and financial system, operating in the three-fold form of rent, interest and profit, tore away from the producer nearly the whole of what he produced. Even those factory-owning capitalists exercising a personal and direct supervision over their plants, were often at the mercy of the clique of bankers who controlled the money marts.

Had the supply of money been proportionate to the growth of population and of business, this process of expropriation would have been less rapid. As it was, the associated monopolies, the international and national banking interests, and the income classes in general, constricted the volume of money into as narrow a compress as possible. As they were the very class which controlled the law-making power of Government, this was not difficult.

The resulting scarcity of money produced high rates of interest. These, on the one hand, facilitated usury, and, on the other, exacted more labor and produce for the privilege of using that money. Staggering under burdensome rates of interest, factory owners, business men in general, farmers operating on a large scale, and landowners with tenants, shunted the load on to the worker. The producing population had to foot the additional bill by accepting wages which had a falling buying power, and by having to pay more rent and greater prices for necessities. Such conditions were certain to accelerate the growth of poverty and the centralization of wealth.

Gould's plan was to get control of the outstanding fifteen millions of dollars of gold, and fix his own price upon them. Not only from what was regarded as legitimate commerce would he exact tribute, but he would squeeze to the bone the whole tribe of gold speculators—for at that time gold was extensively speculated in to an intensive degree.

With the funds pocketed from the Erie Railroad treasury, he began to buy in gold. To accommodate the crowd of speculators in this metal, the Stock Exchange had set apart a "Gold Room," devoted entirely to the speculative purchase and sale of gold. Gould was confident that his plan would not miscarry if the Government would not put in circulation any part of the ninety-five million dollars in gold hoarded as a reserve in the National Treasury. The urgent and all-important point was to ascertain whether the Government intended to keep this sum entirely shut out from circulation.

HE BRIBES GOVERNMENT OFFICIALS

To get this inside information he succeeded in corruptly winning over to his interests A. R. Corbin, a brother-in-law of President Grant. The consideration was Gould's buying two million dollars' worth of gold bonds, without requiring margin or security, for Corbin's account.[1] Thus Gould thought he had surely secured an intimate spy within the authoritative precincts of the White House. As the premium on gold constantly rose, these bonds yielded Corbin as much sometimes as $25,000 a week in profits. To insure the further success of his plan, Gould subsidized General Butterfield, whose appointment as sub-treasurer at New York Corbin claimed to have brought about. Gould testified in 1870 that he had made a private loan to Butterfield, and that he had carried speculatively $1,500,000 for Butterfield's benefit. These statements Butterfield denied.[2]

Through Corbin, Gould attempted to pry out Grant's policies, and with Fisk as an interlocutor, Gould personally attempted to draw out the President. To their consternation they found that Grant was not disposed to favor their arguments. The prospect looked very black for them. Gould met the situation with matchless audacity. By spreading subtle rumors, and by inspiring press reports through venal writers, he deceived not only the whole of Wall Street, but even his own associates, into believing that high Government officials were in collusion with him. The report was assiduously disseminated that the Government did not intend to release any of its hoard of gold for circulation. The premium, accordingly, shot up to 146. Soon after this, certain financial quarters suspected that Gould was bluffing. The impression spreading that he could not depend upon the Government's support, the rate of the premium declined, and Gould's own array of brokers turned against him and sold gold.

GOULD BETRAYS HIS PARTNERS

Entrapped, Gould realized that something had to be done, and done quickly, if he were to escape complete ruin, holding as he did the large amount of gold that he had bought at steep prices. By plausible fabrications he convinced Fisk that Grant was really an ally. Gould had bought a controlling interest in the Tenth National Bank. This institution Gould and Fisk now used as a fraudulent manufactory of certified checks. These they turned out to the amount of tens of millions of dollars. With the spurious checks they bought from thirty to forty millions in gold.[3] Such an amount of gold did not, of course, exist in circulation. But the law permitted gambling in it as though it really existed. Ordinary card gamblers, playing for actual money, were under the ban of the law; but the speculative gamblers of the Stock Exchange who bought and sold goods which frequently did not exist, carried on their huge fraudulent operations with the full sanction of the law. Gould's plan was not intricate. Extensive purchases of gold naturally—as the laws of trade went—were bound to increase constantly its price.

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[1] Gold Panic Investigation, House Report No. 31, Forty-first Congress, Second Session, 1870:157. Corbin's venality in lobbying for corrupt bills was notorious; he admitted his complicity before a Congressional Investigating Committee in 1857.

[2] Gold Panic Investigation, etc., 160.

By September, 1869, Gould and his partners not only held all of the available gold in circulation, but they held contracts by which they could call upon bankers, manufacturers, merchants, brokers and speculators for about seventy millions of dollars more of the metal. To the banking, manufacturing and importing interests gold, as the standard, was urgently required for various kinds of interfluent business transactions: to pay international debts, interest on bonds, customs dues or to move the crops. They were forced to borrow it at Gould's own price. This price was added to the cost of operation, manufacture and sale, to be eventually assessed upon the consumer. Gould publicly announced that he would show no mercy to anyone. He had a list, for example, of two hundred New York merchants who owed him gold; he proposed to print their names in the newspapers, demanding settlement at once, and would have done so, had not his lawyers advised him that the move might be adjudged criminal conspiracy.[4]

The tension, general excitement and pressure in business circles were such that President Grant decided to release some of the Government's gold, even though the reserve be diminished. In some mysterious way a hint of this reached Gould. The day before "Black Friday" he resolved to betray his partners, and secretly sell gold before the price abruptly dropped. To do this with success it was necessary to keep on buying, so that the price would be run up still higher.

Such methods were prohibited by the code of the Stock Exchange which prescribed certain rules of the game, for while the members of the Exchange allowed themselves the fullest latitude and the most unchecked deception in the fleecing of outside elements, yet among themselves they decreed a set of rules forbidding any sort of double-dealing in trading with one another. To draw an analogy, it was like a group of professional card sharps deterring themselves by no scruples in the cheating of the unwary, but who insisted that among their own kind fairness should be scrupulously observed. Yet, rules or no rules, no one could gainsay the fact that many of the foremost financiers had often and successfully used the very enfilading methods that Gould now used.

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[3] Gold Panic Investigation: 13.

[4] Gold Panic Investigation, etc., 13.

While Gould was secretly disposing of his gold holdings, he was goading on his confederates and his crowd of fifty or more brokers to buy still more.[5] By this time, it seems, Fisk and his partner in the brokerage business, Belden, had some stray inklings of Gould's real plan; yet all that they knew were the fragments Gould chose to tell them, with perhaps some surmises of their own. Gould threw out just enough of an outline to spur on their appetite for an orgy of spoils. Undoubtedly, Gould made a secret agreement with them by which he could repudiate the purchases of gold made in their names. Away from the Stock Exchange Fisk made a ludicrous and dissolute enough figure, with his love of tinsel, his show and braggadocio, his mock military prowess, his pompous, windy airs and his covey of harlots. But in Wall Street he was a man of affairs and power; the very assurance that in social life made him ridiculous to a degree, was transmuted into a pillar of strength among the throng of speculators who themselves were mainly arrant bluffs. A daredevil audacity there was about Fisk that impressed, misled and intimidated; a fine screen he served for Gould plotting and sapping in the background.

THE MEMORABLE "BLACK FRIDAY"

The next day, "Black Friday," September 24, 1869, was one of tremendous excitement and gloomy apprehension among the money changers. Even the exchanges of foreign countries reflected the perturbation. Gould gave orders to buy all gold in Fisk's name; Fisk's brokers ran the premium up to 151 and then to 161. The market prices of railroad stocks shrank rapidly; failure after failure of Wall Street firms was announced, and fortunes were swept away. Fearing that the price of gold might mount to 200, manufacturers and other business concerns throughout the country frantically directed their agents to buy gold at any price. All this time Gould, through certain brokers, was secretly selling; and while he was doing so, Fisk and Belden by his orders continued to buy.

The Stock Exchange, according to the descriptions of many eye-witnesses, was an extraordinary sight that day. On the most perfunctory occasions the scenes enacted there might have well filled the exotic observer with unmeasured amazement. But never had it presented so thoroughly a riotous, even bedlamic aspect as on this day, Black Friday; never had greed and the fear born of greed, displayed themselves in such frightful forms.

Here could be seen many of the money masters shrieking and roaring, anon rushing about with whitened faces, indescribably contorted, and again bellowing forth this order or that curse with savage energy and wildest gesture. The puny speculators had long since uttered their doleful squeak and plunged down into the limbo of ruin, completely engulfed; only the big speculators, or their commission men, remained in the arena, and many of these like trapped rats scurried about from pillar to post. The little fountain in the "Gold Room" serenely spouted and bubbled as usual, its cadence lost in the awful uproar; over to it rushed man after man splashing its cooling water on his throbbing head. Over all rose a sickening exhalation, the dripping, malodorous sweat of an assemblage worked up to the very limit of mental endurance.

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[5] "Gould, the guilty plotter of all these criminal proceedings," reported the Congressional Investigating Committee of 1870, "determined to betray his own associates, and silent, and imperturbable, by nods and whispers directed all."—Gold Panic Investigation: 14.

What, may we ask, were these men snarling, cursing and fighting over? Why, quite palpably over the division of wealth that masses of working men, women and children were laboriously producing, too often amid sorrow and death. While elsewhere pinioned labor was humbly doing the world's real work, here in this "Gold Room," greed contested furiously with greed, cunning with cunning over their share of the spoils. Without their structure of law, and Government to enforce it, these men would have been nothing; as it was, they were among the very crests of society; the makers of law, the wielders of power, the pretenders to refinement and culture.

Baffled greed and cunning outmatched and duplicity doubled against itself could be seen in the men who rushed from the "Gold Room" hatless and frenzied—some literally crazed—when the price of gold advanced to 162. In the surrounding streets were howling and impassable crowds, some drawn thither by curiosity and excitement, others by a fancied interest; surely, fancied, for it was but a war of eminent knaves and knavish gamblers. Now this was not a "disorderly mob" of workers such as capitalists and politicians created out of orderly workers' gatherings so as to have a pretext for clubbing and imprisoning; nay it all took place in the "conservative" precincts of sacrosant Wall Street, the abiding place of "law and order." The participants were composed of the "best classes", therefore, by all logic it was a scene supereminently sane, respectable and legitimate; the police, worthy defenders of the peace, treated it all with an awed respect.

Suddenly, early in the afternoon, came reports that the United States Treasury was selling gold; they proved to be true. Within fifteen minutes the whole fabric of the gold manipulation had gone to pieces. It was narrated that a mob, bent on lynching, searched for Gould, but that he and Fisk had sneaked away through a back door and had gone uptown.

The general belief was that Gould was irretrievably ruined. That he was secretly selling gold at an exorbitant price was not known; even his own intimates, except perhaps Fisk and Belden, were ignorant of it. All that was known was that he had made contracts for the purchase of enormous quantities of fictitious gold at excessive premiums. As a matter of fact, his underhand sales had brought him eleven or twelve million dollars profit. But if his contracts for purchase were enforced, not only would these profits be wiped out, but also his entire fortune.

ELEVEN MILLIONS POCKETED BY JUDICIAL COLLUSION

Ever agile and resourceful, Gould quickly extricated himself from this difficulty. He fell back upon the corrupt judiciary. Upon various flimsy pretexts, he and Fisk, in a single day, procured twelve sweeping injunctions and court orders.[6] These prohibited the Stock Exchange and the Gold Board from enforcing any rules of settlement against them, and enjoined Gould and Fisk's brokers from settling any contracts. The result, in brief, was that judicial collusion allowed Gould to pocket his entire "profits," amounting, as the Congressional Committee of 1870 reported, to about eleven million dollars, while relieving him from any necessity of paying up his far greater losses. Fisk's share of the eleven millions was almost nothing; Gould retained practically the entire sum. Gould's confederates and agents were ruined, financially and morally; scores of failures, dozens of suicides, the despoilment of a whole people, were the results of Gould's handiwork.

From his Erie Railroad freebooting, the gold conspiracy and other maraudings, Gould now had about twenty-five or thirty million dollars. Perhaps the sum was much more. Having sacked the Erie previous to his being ousted in 1873, he looked out for further instruments of plunder.

Money was power; the greater the plunderer the greater the power; and Gould, in spite of abortive lawsuits and denunciations, had the cardinal faculty of holding on to the full proceeds of his piracies. In 1873 there was no man more rancorously denounced by the mercantile classes than Gould. If one were to be swayed by their utterances, he would be led to believe that these classes, comprising the wholesale and retail merchants, the importers and the small factory men, had an extraordinarily high and sensitive standard of honesty. But this assumption was sheer pretense, at complete variance with the facts. It was a grim sham constantly shattered by investigation. Ever, while vaunting its own probity and scoring those who defrauded it, the mercantile element was itself defrauding at every opportunity.

SOME COMPARISONS WITH GOULD

One of the numberless noteworthy and conclusive examples of the absolute truth of this generalization was that of the great frauds perpetrated by the firm of Phelps, Dodge and Company, millionaire importers of tin, copper, lead and other metals.

So far as public reputation went, the members of the house were the extreme opposites of Gould. In the wide realm of commercialism a more stable and illustrious firm could not be found. Its wealth was conventionally "solid and substantial;" its members were lauded as "high-toned" business men "of the old-fashioned school," and as consistent church communicants and expansive philanthropists. Indeed, one of them was regarded as so glorious and uplifting a model for adolescent youth, that he was chosen president of the Young Men's Christian Association; and his statue, erected later by his family, has long irradiated the tawdry surroundings of Herald Square, New York City. In the Blue Book of the elect, socially and commercially, no names could then be found more indicative of select, strong-ribbed, triple-dyed respectability and elegant social poise and position.

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[6] Gold Panic Investigation, etc., 18.

In the dying months of 1872, a prying iconoclast, unawed by the glamor of their public repute and the contemplation of their wealth, began an exhaustive investigation of their custom house invoices. This inquiring individual was B. G. Jayne, a special United States Treasury agent. He seems to have been either a duty-loving servant of the people, stubbornly bent upon ferreting out fraud wherever he found it, irrespective of whether the criminals were powerful or not, or he was prompted by the prospect of a large reward. The more he searched into this case, the more of a mountainous mass of perjury and fraud revealed itself. On January 3, 1873, Jayne set the full facts before his superior, George S. Boutwell, Secretary of the Treasury.

". . . According to ordinary modes of reckoning," he wrote, "a house of the wealth and standing of Phelps, Dodge and Company would be above the influences that induce the ordinary brood of importers to commit fraud. That same wealth and standing became an almost impenetrable armor against suspicion of wrong-doing and diverted the attention of the officers of the Government, preventing that scrutiny which they give to acts of other and less favored importers." Jayne went on to tell how he had proceeded with great caution in "establishing beyond question gross under-valuations," and how United States District Attorney Noah Davis (later a Supreme Court Justice) concurred with him that fraud had been committed.

THE GREAT FRAUDS OF PHELPS, DODGE AND COMPANY

The Government red tape showed signs at first of declining to unwind, but further investigation proved the frauds so great, that even the red tape was thrilled into action, and the Government began a suit in the United States District Court at New York for $1,000,000 for penalties for fraudulent custom-house under-valuations. It sued William E. Dodge, William E. Dodge, Jr., D. Willis James (father of Arthur Curtiss James), Anson Phelps Stokes, James Stokes and Thomas Stokes as the participating members of the firm.

The suit was a purely civil one; influential defrauders were not inconvenienced by Government with criminal actions and the prospect of prison lodging and fare; this punishment was reserved exclusively for petty offenders outside of the charmed circle. The sum of $1,000,000 sued for by the Government referred to penalties due since 1871 only; the firm's duplicates of invoices covering the period before that could not be found;

"they had probably been destroyed;" hence, it was impossible to ascertain how much Phelps, Dodge and Company had defrauded in the previous years.

The firm's total importations were about $6,000,000 a year; it was evident, according to the Government officials, that the frauds were not only enormous, but that they had been going on for a long time. These frauds were not so construed "by any technical construction, or far-fetched interpretation," but were committed "by the firm's deliberately and systematically stating the cost of their goods below the purchase price for no conceivable reason but to lessen the duties to be paid to the United States."

These long-continuing frauds could not have been possible without the custom-house officials having been bribed to connive. The practice of bribing customs officers was an old and common one. In his report to the House of Representatives on February 23, 1863, Representative Van Wyck, chairman of an investigating committee, fully described this system of bribery. In summarizing the evidence brought out in the examination of fifty witnesses he dealt at length with the custom house officials who for large bribes were in collusion with brokers and merchants. "No wonder," he exclaimed, "the concern [the custom house] is full of fraud, reeking with corruption." [7]

Great was the indignation shown at the charges by the flustered members of the firm; most stoutly these "eminently proper" men asserted their innocence.[8] In point of fact (as has been shown in the chapters on the Astor fortune) several of them had long been slyly defrauding in other fields, particularly by the corrupt procuring of valuable city land before and during the Tweed regime. They had also been enriching themselves

[7] The Congressional Globe, Appendix, Thirty-seventh Congress, Third Session, 1862-3, Part ii:118.

"During the last session the Secretary had the honor of transmitting the draft of a bill for the detection and prevention of fraudulent entries at the custom-houses, and he adheres to the opinion that the provisions therein embodied are necessary for the protection of the revenue. . . . For the past year the collector, naval officer, and surveyor of New York have entertained suspicions that fraudulent collusions with some of the customs officers existed. Measures were taken by them to ascertain whether these suspicions were well founded. By persistent vigilance facts were developed which have led to the arrest of several parties and the discovery that a system of fraud has been successfully carried on for a series of years. These investigations are now being prosecuted under the immediate direction of the Solicitor of the Treasury, for the purpose of ascertaining the extent of those frauds and bringing the guilty parties to punishment. It is believed that the enactment at the last session of the bill referred to would have arrested, and that its enactment now will prevent hereafter, the frauds hitherto successfully practiced."—Annual Report for 1862 of Salmon P. Chase, Secretary of the Treasury. No matter what laws were passed, however, the frauds continued, and the importers kept on bribing.

[8] If the degree of the scandal that the unearthing of these frauds created is to be judged by the extent of space given to it by the newspapers, it must have been large and sensational. See issues of the New York Times and other newspapers of January 11, 1873, January 29, 1873, March 20, 1873, and April 20, 1873. A full history of the case, with the official correspondence from the files of the Treasury Department, is to be found in the New York Times, issue of April 28, 1873.

by the corrupt obtaining of railroad grants. There was a scurrying about by Phelps, Dodge and Company to explain that some mistake had been made; but the Government steadfastly pressed its action; and Secretary Boutwell curtly informed them that if they were innocent of guilt, they had the opportunity of proving so in court. After this ultimatum their tone changed; they exerted every influence to prevent the case from coming to trial, and they announced their willingness to compromise. The Government was induced to accept their offer; and on February 24, 1873, Phelps, Dodge and Company paid to the United States Treasury the sum of $271,017.23 for the discontinuance of the million-dollar suit for custom-house frauds.[9]

THEY BECOME COPPER MINE MAGNATES

From these persistent frauds came, to a large extent, the great collective and individual wealth of the members of this firm, and of their successors. It was also by reason of these frauds that Phelps, Dodge and Company were easily able to outdo competitors. With their palpably great revenues they were in an advantageous position to buy up many forms of property. Beginning in 1880 the mining of copper, they obtained hold of many very rich mining properties. They incorporated the Copper Queen Consolidated Company in 1885; and properties acquired were later controlled by the holding company of Phelps, Dodge and Company which was dissolved through an exchange of stock, and the name of the owning corporation was changed in 1917 to the Phelps Dodge Corporation. Itself or through subsidiaries this company owns 18,700 acres of copper and other ore producing lands at Bisbee and Burro Mountain, Arizona; nearly 2,000 acres of mineral claims in another locality; 1,531 acres of mill sites in the Ajo district, Arizona; and 11,000 acres of coal lands at Dawson, New Mexico. In fifty years the Phelps Dodge mines have produced many billions of pounds of copper; in the six years 1928-1933, for example, the production was 927,000,000 pounds. Total sales of copper in 1935 were nearly 352,000,000 pounds. In addition, through all of these decades the mines have yielded an extensive residue of gold, silver, lead and manganese. The production of the coal mines has been considerable. Even before the World War—at least in the years immediately preceding it—the corporation paid divi-

[9] See House Executive Documents, Forty-third Congress, First Session, 1874, Doc. No. 124:78. Of the entire sum of $271,017.23 paid by Phelps, Dodge and Company to compromise the suit, Chester A. Arthur, then Collector of the Port, later President of the United States, received $21,906.01 as official fees; the Naval Officer and the Surveyor of the Port each were paid the same sum by the Government, and Jayne received $65,718.03 as his percentage as informer.

One of the methods of defrauding the Government was peculiar. Under the tariff act there was a heavy duty on imported zinc and lead, while works of art were admitted free of duty. Phelps, Dodge and Company had zinc and lead made in Europe into crude Dianas, Venuses and Mercurys and imported them in that form, claiming exemption from the customs duty on the ground of their being "works of art."

dends, including extras, of from 12 to 16½ per cent. During the World War years the dividends mounted to 20, 22, 24 and 32 per cent, naturally falling to a much lower rate in post war years.

Such, in brief, is the history of this corporation up to date. And now to go back we have to note that so quickly and greatly were members of the firm of Phelps, Dodge and Company enriched that when D. Willis James, one of the partners sued by the Government for fraudulent undervaluations, died on September 13, 1907, he left an estate of not less than $26,967,448. John F. Farrel, the appraiser, so reported in his report filed on March 28, 1908, in the transfer tax department of the Surrogate's department, New York City.

James owned (accepting the appraiser's specific report at a time when panic prices prevailed) tens of millions of dollars worth of stock in railroad, mining, manufacturing and other industries. He owned, for instance, $2,750,000 worth of shares in the Copper Queen Consolidated Mining Company; $1,419,510 in the Old Dominion Company, and millions more in other mining companies. His holdings in the Great Northern Railway, the history of which was a chain of fraud, amounted to millions of dollars—$3,840,000 of preferred stock; $3,924,000 of common stock; $1,715,000 of stock in the Great Northern Railway iron ore properties; $1,405,000 of Great Northern Railway shares in the form of subscription receipts, and so on. He was a large holder of stock in the Northern Pacific Railway, the development of which, as we shall see, was one of incessant frauds. His interest in the "good will" of Phelps, Dodge and Company was appraised at $180,000; his interest in the same firm at $945,786; his cash on deposit with that firm at $475,000.[10]

And, to give another of a number of examples of the continuing fortunes derived from the Phelps Dodge properties, the wealth of Cleveland H. Dodge was a typical illustration. Son of William E. Dodge, he was Chairman of the Phelps Dodge Corporation. He died at the age of 66, in Paris in 1926. During life he had donated many millions of dollars to various charitable and religious organizations. His estate at the time of his death amounted, it was reported, to between $20,000,000 and $25,000,000, of which his widow received one-third, and his four children the remainder.

In the defrauding of the United States Government in the 1870 period, Phelps, Dodge and Company, however, were doing no uncommon thing.

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[10] At his death he was eulogistically described as "the merchant philanthropist." On the day after the appraiser's report was filed, the New York Times, issue of March 29, 1908, said: "Mr. James was senior member of the firm of Phelps, Dodge & Co., of 99 John Street. His interest in educational and philanthropic work was very deep, and by his will he left bequests amounting to $1,195,000 to various charitable and religious institutions. The residue of the estate, amounting to $24,482,653, is left in equal shares to his widow and their son." On the same day that the appraiser's report was filed a large gathering of unemployed attempted to hold a meeting in Union Square to plead for the starting of public work, but were brutally clubbed, ridden down and dispersed by the police.

The whole importing trade was incessantly and cohesively thriving upon this form of fraud. In his annual report for 1874, Henry C. Johnson, United States Commissioner of Customs, estimated that tourists returning from Europe yearly smuggled in as personal effects 257,810 trunks filled with dutiable goods valued at the enormous sum of $128,905,000. "It is well known," he added, "that much of this baggage is in reality intended to be put upon the market as merchandise, and that still other portions are brought over for third parties who have remained at home. Most of those engaged in this form of importation are people of wealth" . . .[11] Similar and additional facts were brought out in great abundance by a United States Senate committee appointed, in 1886, to investigate customs frauds in New York. After holding many sessions this committee declared that it had found "conclusive evidence that the undervaluation of certain kinds of imported merchandise is persistently practiced to an alarming extent at the port of New York." [12] At all other ports the customs frauds were notorious.

The frauds of the whisky distillers in cheating the Government out of the internal revenue tax were so enormous as to call forth several Congressional investigations; [13] the millions of dollars thus defrauded were used as private capital in extending the distilleries; virtually all of the fortunes in the present Whisky Trust are derived in great part from these frauds. The banks likewise cheated the Government out of large sums in their evasion of the stamp tax. "This stamp tax," reported the Comptroller of Currency in 1874, "is to a considerable extent evaded by banks and more frequently by depositors, by drawing post notes, or bills of exchange at one day's sight, instead of on demand, and by substituting receipts for checks." [14]

It was from these various divisions of the capitalist class that the most caustic and virtuous tirades against Gould came. The boards of trade and chambers of commerce were largely made up of men who, while assuming the most vaniloquent pretensions, were themseves malodorous with fraud. To read the resolutions passed by them, and to observe retrospectively the supreme airs of respectability and integrity they individually took on, one would conclude that they were all men of whitest, most irreproachable character. But the official reports contradicted their pretensions at every turn; and they were all seen in their nakedness as perjurers, cheats and frauds, far more sinister in their mask than Gould in his carelessly open career of theft and corruption. Many of the descendants of that sordid aggregation live to-day in the luxury of inherited cumulative wealth, and boast of a certain "pride of ancestry" and "refinement of social position."

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[11] Executive Documents, Forty-third Congress, Second Session, 1874, No. 2:225.

[12] U. S. Senate Report, No. 1990, Forty-ninth Congress, Second Session, Senate Reports, 1886-87, iii.

[13] Reports of Committees, Fortieth Congress, Third Session, 1869-70. Report No. 3, etc.

[14] Executive Document, No. 2, 1874:140.

From the very foundation of the United States Government, not to mention what happened before that time, custom-house frauds were continuous. Suits brought by the Government against the Sugar Trust for gigantic frauds in cheating in the importation of sugar, were only an indication of the increasing frauds. In addition to the slight judgment of $134,411.03, the Sugar Trust was compelled to disgorge about $2,000,000, but this sum, it was admitted, was only a part of the enormous total out of which it had defrauded the Government. (The full story of these colossal frauds is told in the Epilogue.) Further great custom-house scandals and court proceedings in 1908 and 1909 showed that the bribery of custom-house weighers and inspectors had long been in operation, and that the whole importing class, as a class, was profiting heavily by this bribery and fraud. While the trials of importers were going on in the United States Circuit Court at New York, despatches from Washington announced, on October 22, 1909, that the Treasury Department estimated that the same kind of frauds as had been uncovered at New York, had flourished for decades, although in a somewhat lesser degree, at Boston, Philadelphia, Norfolk, New Orleans, San Francisco and at other ports.

"It is probable," stated these subdued despatches, "that these systematic filchings from the Government's receipts cover a period of more than fifty years, and that in this, the minor officials of the New York Custom House have been the greatest offenders, although their nefarious profits have been small in comparison with the illegitimate gains of their employers, the great importers. These are the views of responsible officials of the Treasury Department." These despatches stated the truth very mildly. The frauds had been going on for more than a century, and the Government was cheated out of a total of hundreds upon hundreds of millions of dollars, perhaps billions.

And the thieving importers comprised the respectable and highly virtuous chambers of commerce and boards of trade. They were ever foremost in pompously denouncing the very political corruption which they themselves caused and wanted and profited from; they were the fine fellows who come together in their solemn conclaves and resolved this and resolved that against "law-defying labor unions," or in favor of "a reform in our body politic," etc., etc. A glorious crew they were of excellent, most devout church members and charity dispensers; sleek, self-sufficient men who sat on Grand Juries and Trial Juries, and condemned the petty thieves to conviction carrying long terms of imprisonment.

But the comparison of Gould and the trading classes is by no means complete without adding anew a contrast between how the propertied plunderers as a class were immune from criminal prosecution, and the persecution to which the working class was subjected.

Although all sections of the commercial and financial class were cheating, swindling and defrauding with almost negligible molestation from Government, the workers could not even plead for the right to work without drawing down upon themselves the full punitive animosity of governing powers whose every move was one of deference to the interests of property. Apart from the salient fact that the prisons throughout the United States were crowded with poor criminals, while the machinery of the criminal courts was never seriously invoked against the commercial and financial classes, the police and other public functionaries would not even allow the workers to meet peacefully for the petitioning of redress. Organized expressions of discontent were ever objectionable to the ruling class.

THE CLUBBING OF THE UNEMPLOYED

"The winter of 1873-74," wrote McNeill,

> was one of extreme suffering. Midwinter found tens of thousands of people on the verge of starvation, suffering for food, for the need of proper clothing, and for medical attendance. Meetings of the unemployed were held in many places, and public attention called to the needs of the poor. The men asked for work and found it not, and children cried for bread. . . . The unemployed and suffering poor of New York City determined to hold a meeting and appeal to the public by bringing to their attention the spectacle of their poverty. They gained permission from the Board of Police to parade the streets and hold a meeting in Tompkins Square on January 13, 1874, but on January 12 the Board of Police and Board of Parks revoked the order and prohibited the meeting. It was impossible to notify the scattered army of this order, and at the time of the meeting the people marched through the gates of Tompkins Square. . . . When the square was completely filled with men, women and children, without a moment's warning, the police closed in upon them on all sides.
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> One of the daily papers of the city confessed that the scene could not be described. People rushed from the gates and through the streets, followed by the mounted officers at full speed, charging upon them without provocation. Screams of women and children rent the air, and the blood of many stained the streets, and to the further shame of this outrage it is to be added that when the General Assembly of New York State was called to this matter they took testimony, but made no sign.[15]

Thus was the supremacy of "law and order" maintained. The day was saved for well-fed respectability, and starving humanity was forced back into its despairing haunts, there to reflect upon the club-taught lesson that empty stomachs should remain inarticulate. For the flash of a second, a nameless fright seized hold of the gilded quarters, but when they saw how well the police did their dispersing work, and choked up with their clubs the protests of aggregated suffering, self-confidence came back, revelry was resumed, and the saturnalia of theft went on unbrokenly.

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[15] "The Labor Movement": 147-148. In describing to the committee on grievances the horrors of this outrage, John Swinton, a writer of great ability, and a man whose whole heart was with the helpless, suffering and exploited, closed his address by quoting this verse:

"There is a poor blind Samson in our land,
  Shorn of his strength and bound with bonds of steel,
Who may in some grim revel raise his hand,
  And shake the pillars of the Commonweal."

And a lucky day was that for the police. The methods of the ruling class were reflected in the police force; while perfumed society was bribing, defrauding and expropriating, the police were enriching themselves by a perfected system of blackmail and extortion of their own. Police Commissioners, chiefs, inspectors, captains and sergeants became millionaires, or at least, very rich from the proceeds of this traffic. Not only did they extort regular payments from saloons, brothels and other establishments on whom the penalties of law could be visited, but they had a standing arrangement with thieves of all kinds, rich thieves as well as what were classed as ordinary criminals, by which immunity was sold at specified rates.[16] The police force did not want this system interfered with; hence at all times toadied to the rich and influential classes as the makers of law and the creators of public opinion. To be on the good side of the rich, and to be praised as the defenders of law and order, furnished a screen of incalculable utility behind which they could carry on undisturbedly their own peculiar system of plunder.

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[16] The very police captain, one Williams, who commanded the police at the Tompkins Square gathering, was quizzed by the "Lexow Committee" in 1893 as to where he got his great wealth. He it was who invented the term "Tenderloin," signifying a district from which large collections in blackmail and extortion could be made. By 1892, the annual income derived by the police from blackmailing and other sources of extortion was estimated at $7,000,000. (See "Investigation of the Police Department of New York City," 1894, v:5734.) With the establishment of Greater New York the amount about doubled, or, perhaps, trebled.

Chapter XII

THE GOULD FORTUNE AND SOME ANTECEDENT FACTORS

With his score or more of millions of booty, Jay Gould now had much more than sufficient capital to compete with many of the richest magnates; and what he might lack in extent of capital when combated by a combination of magnates, he fully made up for by his pulverizing methods. His acute eye had previously lit upon the Union Pacific Railroad as offering a surpassingly prolific field for a new series of thefts. Nor was he mistaken. The looting of this railroad and allied railroads which he, Russell Sage and other members of the clique proceeded to accomplish, added to their wealth, it was estimated perhaps $60,000,000 or more, the major share of which Gould appropriated.

It was commonly supposed in 1873 that the Union Pacific Railroad had been so completely despoiled that scarcely a vestige was left to prey upon. But Gould had an extraordinary faculty for devising new and fresh schemes of spoliation. He would discern great opportunities for pillage in places that others dismissed as barren; projects that other adventurers had bled until convinced nothing more was to be extracted, would be taken up by Gould and become plethora of plunder under his dexterous touch. Again and again Gould was charged with being a wrecker of property; a financial beachcomber who destroyed that he might profit. These accusations, in the particular exclusive sense in which they were meant, were distortions. In almost every instance the railroads gathered in by Gould were wrecked before he secured control; all that he did was to revive, continue and elaborate the process of wrecking. It had been proved so in the case of the Erie Railroad; he now demonstrated it with the Union Pacific Railroad.

THE MISLEADING ACCOUNTS HANDED DOWN

This railroad had been chartered by Congress in 1862 to run from a line on the one hundredth meridian in Nebraska to the western boundary of Nevada. The actual story of its inception and construction was very different from the stereotyped accounts shed by most writers. These romancers, distinguished for their sycophancy and lack of knowledge, would have it believed that these enterprises originated as splendid and memorable exhibitions of patriotism, daring and ability. According to their version Congress was so solicitous that these railroads should be built that it almost implored the projectors to accept the great gifts of franchises, land and money that it proffered as assistance. A radiantly glowing description was forged of the men who succeeded in laying these railroads; how there stretched immense reaches of wilderness which would long have remained desolate had it not been for these indomitable pioneers; and how by their audacious skill and persistence they at last prevailed, despite sneers and ridicule, and gave to the United States a chain of railroads such as a few years before it had been considered folly to attempt.

Very limpidly these narratives flowed; generations drank so deeply of them that they became inebriated with the contemplation of these wonderful men. When romance, however, was hauled to the archives, and confronted with the facts, the old dame collapsed into shapeless stuffing.

In an earlier chapter of the present work it was pointed out by a generalization (to be frequently itemized by specifications later on) that the accounts customarily written of the origin of these railroads have been ridiculously incorrect. To prove them so it is only necessary to study the debates and the reports of Congress before, and after, the granting of the charters.

SECTIONAL INTERESTS IN CONFLICT

Far greater forces than individual capitalists, or isolated groups of capitalists, were at work to promote or prevent the construction of this or that Pacific road. In the contest for control before the Civil War the slave oligarchy of the South exerted every effort to use the powers of Government to build railroads in sections where their power would be extended and further intrenched. Their representatives in Congress feverishly strained themselves to the utmost to bring about the construction of a trans-continental railroad passing through the Southwest. Northern men in Congress stubbornly fought the project. In reprisal, the Southern legislators in Congress frustrated every move for trans-continental railroads which, traversing hostile or too doubtful territory, would add to the wealth, power, population and interests of the North. The Government was allowed to survey routes, but no comprehensive trans-continental Pacific railroad bills were passed.

The debates in Congress during the session of 1859 over Pacific railroads were intensely aciduous. Speaking of the Southern slave holders, Senator Wilson, of Massachusetts, denounced them as "restless, ambitious gentlemen who are organizing Southern leagues to open the African slave trade, and to conquer Mexico and Central America." He added with great acerbity: "They want a railroad to the Pacific Ocean; they want to carry slavery to the Pacific and have a base line from which they can operate for the conquest of the continent south." [1] In fiery verbiage the Southern Senators slashed back, taunting the Northerners with seeking to wipe out the system of chattel slavery, only to extend and enforce all the more effectually their own system of white slavery. The honorable Senators unleashed themselves; Senatorial dignity fell askew, and there was snarling and growling, retort and backtalk and bad blood enough.

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[1] The Congressional Globe, Thirty-fifth Congress, Second Session, 1858-59, Part II, Appendix: 291.

The disclosures that day were extremely delectable. In the exchange of recriminations, many truths inadvertently came out. The capitalists of of neither section, it appeared, were faithful to the interests of their constituencies. This was, indeed, no discovery; long had Northern representatives been bribed to vote for land and money grants to railroads in the South, and vice versa. But the charges further brought out by Senator Wilson angered and exasperated his Southern colleagues. "We all remember," said he, "that Texas made a grant of six thousand dollars and ten thousand acres of land a mile to a Pacific railway company." Yes, in truth, they all remembered; the South had supported that railroad project as one that would aid in the extension of its power and institutions. "I remember," Wilson went on, "that when that company was organized the men who got it up could not, by any possibility, have raised one hundred thousand dollars if they paid their honest debts. Many of them were political bankrupts as well as pecuniary bankrupts—men who had not a dollar; and some of them were men who not only never paid a debt, but never recognized an obligation."

At this thrust a commotion was visible in the exalted chamber; the blow had struck, and not far from where Wilson stood.

"Years have passed away," continued the Senator, "and what has Texas got? Twenty-two or twenty-three miles of railway, with two cars upon it, with no depot, the company owning everything within hailing distance of the road; and they have imported an old worn-out engine from Vermont. And this is part of your grand Southern Pacific Railroad. These gentlemen are out in pamphlets, proving each other great rascals, or attempting to do so; and I think they have generally succeeded. . . . The whole thing from the beginning has been a gigantic swindle."[2]

What Senator Wilson neglected to say was that the capitalists of his own State and other Northern States had effected even greater railroad swindles; the owners of the great mills in Massachusetts were, as we shall see, likewise bribing Congress to pass tariff acts.

A MYTH OF MODERN FABRICATION

The myth had not then been built up of putative great constructive pioneers, risking their every cent, and racking their health and brains, in the construction of railways. It was in the very heyday of the bribing and swindling, as numerous investigating committees showed; there could be no glamour or illusion then.

The money lavishly poured out for the building of railroads was almost wholly public money drawn from compulsory taxation of the whole people. At this identical time practically every railroad corporation in the country stood indebted for immense sums of public money, little of which was ever paid back. In New York State more than $40,000,000 of public funds had gone into the railroads; in Vermont $8,000,000 and large sums in every other State and Territory. The whole Legislature and State Government of Wisconsin had been bribed with a total of $800,000, in 1856, to give a large land grant to one company alone, details of which transaction will be found elsewhere.[3] The State of Missouri had already disbursed $25,000,000 of public funds; not content with these loans and donations two of its railroads demanded, in 1859, that the State pay interest on their bonds.

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[2] The Congressional Globe, etc., 1858-59, Part II, Appendix, 291.

In both North and South the plundering was equally conspicuous, some of the Northern Senators were fond of pointing out the incompetency and rascality of the Southern oligarchy, while ignoring the acts of the capitalists in their own section. Senator Wilson, for instance, enlarged upon the condition of the railroads in North and South Carolina, describing how, after having been fed with enormous subsidies, they were almost worthless. And if anything was calculated to infuriate the Southerners it was the boast that the capitalists of Massachusetts had $100,000,000 invested in railroads, for they knew, and often charged, that most of this sum had been cheated by legislation out of the National, State or other public treasury, and that what had not been so obtained had been extracted largely from the underpaid and overworked laborers of the mills. Often they had compared the two systems of labor, that of the North and that of the South, and had pointedly asked which was really the worse.

Not until after the Civil War was under way, and the North was in complete control of Congress, was it that most of the Pacific railroad legislation was secured. The time was exceedingly propitious. The promoters and advocates of these railroads could now advance the all-important argument that military necessity as well as popular need called for their immediate construction.

No longer was there any conflict at Washington over legislation proposed by warring sectional representatives. But another kind of fight in Congress was fiercely set in motion. Competitive groups of Northern capitalists energetically sought to outdo one another in getting the charters and appropriations for Pacific railroads. After a bitter warfare, in which bribery was a common weapon, a compromise was reached by which the Union Pacific Railroad Company was to have the territory west of a point in Nebraska, while to other groups of capitalists, headed by John I. Blair and others, charters and grants were given for a number of railroads to start at different places on the Missouri River, and converge at the point from which the Union Pacific ran westward.

In the course of the debate on the Pacific Railroads bill, Senator Pomeroy introduced an amendment providing for the importation of large numbers of cheap European laborers, and compelling them to stick to their work in the building of the railroads under the severest penalties for non-compliance. It was, in fact, a proposal to have the United States Government legalize the peonage system of white slavery. Pomeroy's amendment specifically provided that the troops should be called upon to enforce these civil contracts. "It strikes one as the most monstrous proposition I ever heard of," interjected Senator Rice. "It is a measure to enslave white men, and to enforce that slavery at the point of the bayonet. I begin to believe what I have heard heretofore in the South, that the object of some of these gentlemen was merely to transfer slavery from the South to the North; and I think this is the first step toward it." [4]

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[3] See the chapters on the Russell Sage fortune.

The amendment was defeated. The act which Congress passed authorized the chartering of the Union Pacific Railroad with a capital of $100,000,000. In addition to granting the company the right of way, two hundred feet wide, through thousands of miles of the public domain, of arbitrary rights of condemnation, and the right to take from the public lands whatever building material was needed, Congress gave as a gift to the company alternate sections of land twenty miles wide along the entire line. Still further, the company was empowered to call upon the Government for large loans of money.

CONGRESS BRIBED FOR THE UNION PACIFIC CHARTER

It was highly probable that this act was obtained by bribery. There is not the slightest doubt that the supplementary act of 1864 was. The directors and stockholders of the company were not satisfied with the comprehensive privileges that they had already obtained. It was very easy, they saw, to get still more. Among these stockholders were many of the most effulgent merchants and bankers in the country; we find William E. Dodge, for instance, on the list of stockholders in 1863. The pretext that they offered as a public bait was that "capital needed more inducements to encourage it to invest its money." But this assuredly was not the argument prevailing in Congress. According to the report of a Senate committee of 1873—the "Wilson Committee"—nearly $436,000 was spent in getting the act of July, 1864, passed.[5]

For this $436,000 distributed in fees and bribes, the Union Pacific Railroad Company secured the passage of a law giving it even more favorable government subsidies, amounting to from $16,000 to $48,000 a mile, according to the topography of the country. The land grant was enlarged from twenty to forty miles wide until it included about 12,000,000 acres, and the provisions of the original act were so altered and twisted that the Government stood little or no chance of getting back its outlays.

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[4] The Congressional Globe, Thirty-seventh Congress, Third Session, 1862-63. Part ii:1241-1243.

[5] Reports of Committees, Credit Mobilier Reports, Forty-second Congress, Third session, 1872-73; Doc. No. 78:xviii. The committee reported that the evidence proved that this sum had been disbursed in connection with the passage of the amendatory act of July 2, 1864.

The capitalists behind the project now had franchises, gifts and loans actually or potentially worth many hundreds of millions of dollars. But to get the money appropriated from the National Treasury, it was necessary by the act that they should first have constructed certain miles of their railroads. The Eastern capitalists had at home so many rich avenues of plunder in which to invest their funds—money wrung out of army contracts, usury and other sources—that many of them were indisposed to put any of it in the unpopulated stretches of the far West. The banks, as we have seen, were glutting on 20, and often 50, and sometimes 100 per cent; they saw no opportunity to make nearly as much from the Pacific railroads.

THE CREDIT MOBILIER JOBBERY

All the funds that the Union Pacific Railroad Company could privately raise by 1865 was the insufficient sum of $500,000. Some greater incentive was plainly needed to induce capitalists to rush in. Oakes Ames, head of the company, and a member of Congress, finally hit upon the auspicious scheme. It was the same scheme that the Vanderbilts, Gould, Sage, Blair, Huntington, Stanford, Crocker and other railroad magnates employed to defraud stupendous sums of money.

Ames produced the alluring plan of a construction company. This corporation was to be a compact affair composed of himself and his charter associates; and, so far as legal technicalities went, was to be a corporation apparently distinct and separate from the Union Pacific Railroad Company. Its designed function was to build the railroad, and the plan was to charge the Union Pacific exorbitant sums for the work of construction. What was needed was a company chartered with comprehensive powers to do the constructing work. This desideratum was found in the Credit Mobilier Company of America, a Pennsylvania corporation, conveniently endowed with the most extensive powers. The stock of this company was bought in for a few thousand dollars, and the way was clear for the colossal frauds planned.

The prospects for profit and loot were so unprecedentedly great that capitalists now blithely and eagerly darted forward. One has only to examine the list of stockholders of the Credit Mobilier Company in 1867 to verify this fact. Conspicuous bankers such as Morton, Bliss and Company and William H. Macy; owners of large industrial plants and founders of multimillionaire fortunes such as Cyrus H. McCormick and George M. Pullman; merchants and factory owners and landlords and politicians —a very edifying and inspiring array of respectable capitalists was it that now hastened to buy or get gifts of Credit Mobilier stock.[6]

The contract for construction was turned over to the Credit Mobilier

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[6] The full lists of these stockholders can be found in Docs. No. 77 and No. 78, Reports of U. S. Senate Committees, 1872-73. Morton, Bliss & Co. held 18,500 shares; Pullman, 8,400 shares, etc. The Morton referred to—Levi P. Morton—was later (1888-1892) made Vice President of the United States by the money interests.

Company. This, in turn, engaged sub-contractors. The work was really done by these sub-contractors with their force of low-paid labor. Oakes Ames and his associates did nothing except to look on executively from a comfortable distance, and pocket the plunder. As fast as certain portions of the railroad were built the Union Pacific Railroad Company received bonds from the United States Treasury. In all, these bonds amounted to $27,213,000, out of much of which sum the Government was later practically swindled.

GREAT CORRUPTION AND VAST THEFTS

Charges of enormous thefts committed by the Credit Mobilier Company, and of corruption of Congress, were specifically made by various individuals and in the public press. A sensational hullabaloo resulted; Congress was stormed with denunciations; it discreetly concluded that some action had to be taken. The time-honored, mildewed dodge of appointing an investigating committee was decided upon.

Virtuously indignant was Congress; zealously inquisitive the committee appointed by the United States Senate professed to be. Very soon its honorable members were in a state of utter dismay. For the testimony began to show that some of the most powerful men in Congress were implicated in Credit Mobilier corruption; men such as James G. Blaine, one of the foremost Republican politicians of the period, and James A. Garfield, who later was elevated into the White House. Every effort was bent upon whitewashing these men; the committee found that as far as their participation was concerned "nothing was proved," but, protest their innocence as they vehemently did, the tar stuck, nevertheless.

As to the loot of the Credit Mobilier Company, the committee freely stated its conclusions. Ames and his band, the evidence showed, had pocketed nearly $44,000,000 outright, more than half of which was in cash. The committee, to be sure, was not so brutal as to style it loot; with a true parliamentarian regard for sweetness and sacredness of expression, the committee's report described it as "profit."

After holding many sessions, and collating volumes of testimony, the committee found, as it stated in its report, that the total cost of building the Union Pacific Railroad was about $50,000,000. And what had the Credit Mobilier Company charged? Nearly $94,000,000 or, to be exact, $93,546,287.28.[7] The committee admitted that "the road had been built chiefly with the resources of the Government." [8] A decided mistake; it had been entirely built so. The committee itself showed how the entire cost of building the road had been "wholly reimbursed from the proceeds of the Government bonds and first mortgage bonds," and that "from the stock, income bonds, and land grant bonds, the builders received in cash value $23,366,000 as profit—about 48 per cent. on the entire cost."[9]

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[7] Doc. No. 78, Credit Mobilier Investigation:xiv.

[8] Ibid., xx.

[9] Ibid., xvii.

The total "profits" represented the difference between the cost of building the railroad and the amount charged—about $44,000,000 in all, of which $23,000,000 or more was in immediate cash. It was more than proved that the amount was even greater; the accounts had been falsified to show that the cost of construction was $50,000,000. Large sums of money, borrowed ostensibly to build the road, had at once been seized as plunder, and divided in the form of dividends upon stock for which the clique had not paid a cent in money, contrary to law.

THRIFTY, SAGACIOUS PATRIOTISM

Who could deny that the phalanx of capitalists scrambling forward to share in this carnival of plunder were not gifted with unerring judgment. From afar they sighted their quarry. Nearly all of them were the 50 per cent. "patriot" capitalists of the Civil War; and, just as in extant biographies, they are represented as heroic, self-sacrificing figures during that crisis, when in historical fact, they were defrauding and plundering indomitably, so are they also glorified as courageous, enterprising men of prescience, who hazarded their money in building the Pacific railroads at a time when most of the far West was an untenanted desert. And this string of arrant falsities has passed as "history!"

If they had that foresight for which they are so inveterately lauded, it was a foresight based upon the certainty that it would yield them 48 per cent. profit and more from a project on which not one of them did the turn of a hand's work, for even the bribing of Congress was done by paid agents. Nor did they have to risk the millions that they had obtained largely by fraud in trade and other channels; all that they had to do was to advance that money for a short time until they got it back from the Government resources, with 48 per cent. profit besides.

The Senate Committee's report came out at a time of panic when many millions of men, women and children were out of work, and other millions in destitution. It was in that very year when the workers in New York City were clubbed by the police for venturing to hold a meeting to plead for the right to work. But the bribing of Congress in 1864, and the thefts in the construction of the railroad, were only parts of the gigantic frauds disclosed.

THE BRIBERY PERSISTENTLY CONTINUES

When the act of 1864 was passed, Congress plausibly pointed out the wise, precautionary measures it was taking to insure the honest disbursements of the Government's appropriations. "Behold," said in effect this Congress, "the safeguards with which we are surrounding the bill. We are providing for the appointment of Government directors to supervise the work, and see to it that the Government's interests do not suffer." Very appropriate legislation, indeed, from a Congress in which $436,000 of bribe money had been apportioned to insure its betrayal of the popular interests.

But Ames and his brother capitalists bribed at least one of the Government directors with $25,000 to connive at the frauds:[10] he was a cheaply bought tool, that director. And immediately after the railroad was built and in operation, its owners scented more millions of plunder if they could get a law enacted by Congress allowing them exorbitant rates for the transportation of troops and Government supplies and mails. They corruptly paid out, it seems, $126,000 to get this measure of March 3, 1871, passed.[11]

What was the result of all this investigation? Mere noise. The oratorical tom-toms in Congress resounded vociferously for the gulling of home constituencies, and of palaver and denunciations there was a plenitude. The committee confined itself to recommending the expulsion of Oakes Ames and James Brooks from Congress. The Government bravely brought a civil action, upon many specified charges, against the Union Pacific Railroad Company for misappropriation of funds. This action the company successfully fought; the United States Supreme Court, in 1878, dismissed the suit on the ground that the Government could not sue until the company's debt had matured in 1895.[12]

Thus these great freebooters escaped both criminal and civil process, as they were confident that they would, and as could have been accurately foretold. The immense plunder and the stolen railroad property the perpetrators of these huge frauds were allowed to keep. Congress could have forfeited upon good legal grounds the charter of the Union Pacific Railroad Company then and there. So long as this was not done, and so long as they were unmolested in the possession of their loot, the participating capitalists could well afford to be curiously tolerant of verbal chastisement which soon passed away, and which had no other result than to add several more ponderous volumes to the already appallingly encumbered archives of Government investigations.

By this time—the end of 1873—the market value of the stock of the Union Pacific Railroad was at a very low point. The excessive amount of plunder appropriated by Ames and his confederates had loaded it down with debt. With fixed charges on enormous quantities of bonds to pay, few capitalists saw how the stock could be made to yield any returns—for some time, at any rate. Now was seen the full hollowness of the pretensions of the capitalists that they were inspired by a public-spirited interest in the development of the Far West. This pretext had been jockeyed out for every possible kind of service. As soon as they were convinced that the Credit Mobilier clique had sacked the railroad of all immediate plunder, the participating capitalists showed a sturdy alacrity in shunning the project and disclaiming any further connection with it. Their stock, for the most part, was offered for sale.

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[10] Document No. 78, Credit Mobilier Investigation:xvii.

[11] Doc. No. 78, etc., xvii.

[12] 98 U. S. 569.

JAY GOULD COMES FORWARD

It was now that Jay Gould eagerly stepped in. Where others saw cessation of plunder, he spied the richest possibilities for a new onslaught. For years he had been a convetous spectator of the operations of the Credit Mobilier; and, of course, had not been able to contain himself from attempting to get a hand in the transaction. He and Fisk had repeatedly tried to storm their way in, and had carried trumped-up cases into the courts, only to be eventually thwarted. Now his chance came.

What if $50,000,000 had been taken? Gould knew that it had other resources of very great value; for, in addition to the $27,000,000 Government bonds that the Union Pacific Railroad had received, it also had as asset about 12,000,000 acres of land presented by Congress. Some of this land had been sold by the railroad company at an average of about $4.50 an acre, but the greater part still remained in its ownership. And millions of acres more could be fraudulently seized, as the sequel proved.

Gould also was aware—for he kept himself well informed—that, twenty years previously, Government geologists had reported that extensive coal deposits lay in Wyoming and other parts of the West. These deposits would become of incalculable value; and while they were not included in the railroad grants, some had already been stolen, and it would be easy to get hold of many more by fraud. And that he was not in error in this calculation was shown by the fact that the Union Pacific Railroad and other allied railroads under his control, and under that of his successors, later seized hold of many of these coal deposits by violence and fraud.[13] Gould also knew that every year immigration was pouring into the West; that in time its population, agriculture and industries would form a rich field for exploitation. By the well-understood canons of capitalism, this futurity could be capitalized in advance. Moreover, he had in mind other plans by which tens of millions could be plundered under form of law.

Fisk had been murdered, but Gould now leagued himself with much abler confederates, the principal of whom was Russell Sage. It is well worth while pausing here to give some glimpses of Sage's career, for he left an immense fortune, estimated at considerably more than $100,000,000. Furthermore, it is necessary, before describing the joint activities of Gould and Sage, to give a prefatory account of Sage's career; what manner of man he was, and how he obtained the millions enabling him to help carry forward those operations.

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[13] The Interstate Commerce Commission reported to the United States Senate in 1908 that the acquisition of these coal lands had "been attended with fraud, perjury, violence and disregard of the rights of individuals," and showed specifically how. Various other Government investigations fully supported the charges.

Chapter XIII

AN INSERT ON THE SAGE FORTUNE

RUSSELL SAGE was mellow with experience when Gould was still in his verdant youth; years before Gould began his predacious career, Sage had the reputation among the knowing of being an old hand at political and financial corruption. Was this reputation justified? And did Sage garner his first millions by illicit methods? Certain of his biographers glide nimbly over these questions, while others tell their ready-made advocates' tale; how by his thrift and enterprise, his marvelous business astuteness, and his imposing array of other mercantile virtues and faculties he made his great fortune.[1] It would denote a lack of fidelity to these accounts were the word "sterling" omitted in connection with virtues; in the case of our multimillionaires virtues must necessarily be "sterling virtues." Were it not that the same stock phrases abound in all of these eulogies, they might provoke a gush of emotion, so touching are they, and often pathetic. But the moment the test of examination is applied they turn out to be sheer inventions.

SAGE'S GREAT DEFECT

One of the expected virtues, however, Sage grievously lacked, and it was by reason of this omission that he was the subject of gibes and harsh criticism throughout his life. So far as the methods that he used in getting together his millions went, he was not attacked; on the contrary, in his later years at any rate, he was represented as a very shrewd man who made his money by legitimate means. It was his niggardliness which proved the ground for his unpopularity. The severe economy preached as one of the great stepping stones to fortune, was condemned after the fortune had been acquired. A certain state of public mind or standard had been built up almost requiring that the millionaire should be a "good spender"; he should live sumptuously, blaze forth in glitter, and have some pet philanthropy.

Sage's recusant quality classified him as quite distinctive among the very rich men of his time. No self-indulgence for him, no extravagance, no expensive hobbies or splurges. He was a man who displeased his class and violated its canons; to such it seemed that he made wealth odious to the masses by declining to invest it with that generosity which, it was supposed, softened the popular hostility to the system allowing its accumulation.

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[1] For example: See "America's Successful Men," Vol. i, containing a laudatory sketch of Sage.

Hence arose an undue rasping criticism of his personality. Nearly all of the millionaires of his day, after piling up their heaps, gloried in some costly conceit or resplendent show. None of this finery or foolery for the crustaceous Sage. He spent just enough to allow himself a comfortable domicile on Fifth avenue, one of the thoroughfares of the rich in New York City; aside from this moderate expenditure, he was notoriously parsimonious; his very clothes were the jest of the country.

Had he yielded to the prevalent custom of buying the reputation of philanthropist and "benefactor of mankind" by impressive donations or endowments (to be recouped by further pillage) he would infallibly have been otherwise judged. He made no attempt, however, to propitiate harsh public opinion; be it said to his credit that he was unshakenly faithful to his sordid ideals; at no time did he curry praise or essay to conciliate by flinging out as a social bribe morsels to charity or philanthropy. Where his compeers (whatever their motives) confused or deceived the public estimate of them and their ways by distributing largess every now and then, he made no advances or pretensions; in the respect that he candidly idolized money, moralizing and sham almsgiving, cant and humbuggery were absent in his composition.

HIS CAREER AT THE START

Sage was born of farmer folk in 1816 in Oneida County, New York, in an environment of poverty and cramping horizon. There is a paucity of information about his youthful days. We learn that as a boy his dominant yearning was for money, and that he developed a remarkable capacity for sharp trading. He clerked in his brother's grocery store at Troy, doubtless, we may reasonably surmise, learning all of the profitable little tricks of dealing with customers which an efficient clerk was taught, expected and paid to do; deceit was then, as it is now the lever of all successful business. No doubt he carefully, ever so carefully, saved money, and so likewise did tens of thousands of other clerks—thrifty, ambitious striplings who put it away as they were beneficently advised. But the rule of thrift worked wrong-side in most of their cases; very few of them became rich, despite their sticking punctiliously to all of the regularly prescribed axioms. Plain it ever has been that thrift, temperance and hard work are not the recipe for getting rich, else many millions of people who have to work hard, and who are thrifty and temperate, would forthwith become so. The orthodox formulas did not produce riches, as Sage's fellow clerks found out. What, then, brought wealth to him?

"Long before down appeared on his chin he had gained a local reputation of being unusually keen at 'swapping.' " So wrote a eulogist whose description, slight though it be, gives a clue to Sage's methods in boyhood days. We are told that he amassed enough money to open a grocery store of his own, and that in 1839 he became a partner in a wholesale grocery establishment.

HE AND HIS PARTNERS CONCOCT A SWINDLE

On September 12, 1851, Sage and two other Troy men formed a co-partnership, under the name of Wheeler, Sage and Slocum, to carry on a general produce business at Troy, with a Western headquarters at Milwaukee, under the name of Wheeler and Company. This co-partnership was signalized by a memorable swindle, which called forth one of the severest decisions and denunciations ever handed down by the Supreme Court of the United States.[2] The firm deliberately concocted a plan to cheat the creditors of one of its bankrupt concerns in Milwaukee, and while it was engaged in this operation, Sage hoodwinked and cheated his own partners out of the proceeds of the swindle.

The facts as given in the statement of the case and the decision of the Supreme Court of the United States were as follows:

The firm became the owner of a large debt against one Alanson Sweet of Milwaukee, a debt secured by a mortgage on valuable real estate. This real estate included a large warehouse, which Wheeler and Company had rented. Proceedings to foreclose the mortgage against the bankrupt Sweet were begun in October, 1854, and a decree was passed by the Wisconsin courts in November, 1855. The Supreme Court's statement of the case went on to say that Wheeler, Sage and Slocum were desirous of getting a perfect title to the mortgaged premises, the value of which was $50,000 when the mortgage was given. But other creditors had judgments against Sweet, and Sweet claimed the sum of $12,000 due him from Wheeler and Company for three years' rent of the warehouse.

If Sweet put in this defense successfully, a perfect title could not be secured. It was necessary, also, to deceive and bluff the other creditors. In order to grasp the whole of the real estate, the court said, Wheeler, Sage and Slocum thought it necessary to purchase certain judgments and make other arrangements by collusion. Sage informed Wheeler and Slocum that this could be done by buying off Alexander Mitchell, who controlled Sweet's defense, for $10,000. The court's statement continues:

> Sage was authorized to perfect the agreement, and to charge Wheeler and Slocum their proportionate amount on the books of the firm. This agreement or a similar one, was made by Sage with Mitchell, and judgments purchased under it. *Without the knowledge of Wheeler, Sage, however, abandoned this agreement, and made one with Mitchell for his own benefit.* The mortgaged property was sold, and Mitchell became the purchaser, letting Sage have one-third interest on certain conditions; this being done, as alleged, in violation of the rights, and without the knowledge of Wheeler and Slocum. The mortgaged debt was fixed at $24,000, two-thirds of which

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[2] See Wheeler vs. Sage, Wallace's Reports, Supreme Court of the United States, 1:518—531.

amount was paid over by Sage to Wheeler and Slocum, being, as he [Sage] said, the best that could be done, and which was accepted by Wheeler and Slocum on that hypothesis.[3]

SAGE SWINDLES HIS PARTNERS

Yet, the court went on to relate, enough of the mortgaged property, as Wheeler found out and charged, had been sold to produce $105,000, in addition to unsold property, valued at $27,000, still in Mitchell's hands.[4]

On the usual legal ground that when a party obtains an advantage by fraud, he is to be regarded as trustee of the party defrauded and compelled to account, Wheeler brought suit against Sage. He sued to have Sage declared trustee for himself (Wheeler) for one-third of the mortgaged property still held and unsold by Mitchell, and for one-third of the proceeds of the property that had been sold.

The Supreme Court of the United States declared the whole transaction fraudulent; that while Wheeler, Sage and Slocum had successfully conspired to cheat Sweet's numerous other creditors, Sage had tricked and cheated his own partners. They had set out to get by fraud real estate worth $50,000 for $30,000, and had authorized Sage to arrange the collusion. Sage had afterward relinquished the agreement with Mitchell, and had secured clandestinely an advantage to himself, "to the injury of the other parties."

In further stating the court's decision, Justice Davis continued:

> The evidence in this case, consisting mainly of letters interchanged between Wheeler and Sage, shows clearly enough that a scheme was initiated to get title to the property, and that Sage was the active agent to perfect it, but for some unexplained reason it failed. . . . All parties rested in the belief that negotiations with Mitchell would be successful; but . . . Sage abandoned the idea of buying the property on joint account, and bargained with Mitchell in his own behalf. . . . The "Warehouse Case," as it is somewhere called in the record, is anything but creditable to the parties concerned, and it is surprising that they should have been willing to give it publicity through a legal proceeding. . . . The scheme was to get the real estate by depreciating its value through a process of entering judgment for a large nominal amount, and by deceiving and "bluffing off" other creditors. The court [in Wisconsin which passed the foreclosure decree] was imposed upon, and a combination formed, the object and direct tendency of which was to secure title to the valuable real estate of an insolvent debtor at the expense and sacrifice of his other creditors.

The court declined to pass judgment, one way or the other, on the ground that a party who had been engaged in an illegal transaction, could not expect redress, after being cheated, in any court of equity. "A proceeding like this is against good conscience and good morals, and cannot receive the sanction of a court of equity. . . . It is against the policy of the law to help either party in such controversies."[5] The effect of this decision was to leave Sage in possession of the proceeds of his swindling operation.

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[3] Wallace's Reports, Supreme Court of the United States, i:519.

[4] Ibid.

For seven years Sage held the offices of Alderman of Troy and of Treasurer of Rensselaer County. Now it is that we get the first clear penetration into the methods by which he gathered in his first notable amount of money. Not by trafficking in weights and measures was it, nor by petty swindling, but by a transaction in which as a public official he betrayed the city of Troy into selling to himself for a small sum a railroad line, which railroad he later, according to a prearranged plan, sold to the New York Central consolidation at a very large profit.

HOW SAGE OBTAINED HIS FIRST SWEEP OF WEALTH

There is nothing vague or conjectural regarding this illuminating transaction; the facts are inscribed authentically in the public records.

In the years 1840-43, the city of Troy, at public expense, began to build a railroad running twenty-one miles from that city to Schenectady. The city of Troy, in 1837 and 1847, borrowed a total of $650,000, and in 1840 the State of New York loaned Troy $100,000, making $750,000 in all for the construction and equipment of the Troy and Schenectady Railroad. It was a time when capitalists passively looked on, allowing many municipalities and some of the States to build publicly-owned railroads and operate them for a time, and then, after many millions of public money had been expended, capitalists would contrive to take over the ownership unto themselves. This they did by depreciating and crippling railroads owned by the community, and by corrupting public officials to sell or lease them for comparatively insignificant sums. It was a favorite practice of the period, and was worked with great success.

The task of providing themselves with modern means of transportation frequently devolved upon communities, since no capitalist would take the initiative in any undertaking in which he did not see considerable immediate profits. The aim of the community was service; that of the capitalist, profit. Communities would never stop to consider whether a railroad would yield profit; the sole question guiding them was that of public need. The principle which made the people acquiescent in the loaning or donating of large sums of money to private railroad corporations was that railroads were a public necessity, whether publicly or privately built. In New York State alone, not to mention other States, the railroads originally received from cities, towns, villages and from the State, the sum of $40,039,496.82 by donation or investment;[6] a very considerable amount it made at a time when a dollar had a much greater purchasing power than now. Of this sum, only about one-fourth part was

[5] Wallace's Reports, Supreme Court of the United States, i:530-531.

[6] Railroad Investigation of the State of New York, 1879, i:238-243.

paid back; at various times laws were corruptly passed releasing the railroad companies from liability for these debts. Every mile of those railroads is today absolutely owned, or practically so, by private interests.

As the greater number of railroads were owned by private corporations, it was not difficult for them to bankrupt publicly-owned railroads when they set out to do so. This they could easily do by diverting or obstructing freight and passenger traffic or by corrupting public officials to mismanage them. This conflict of public and private interest always resulted in the triumph of private interest; necessarily so because public welfare and private profits were an incongruous mixture, the one the antithesis of the other, and also because the governing officials were either of the propertied classes or responsive or subservient to them.

By these methods the campaign against the public ownership of the Troy and Schenectady Railroad was begun. Small detached railroads were anomalies at best; economic development demanded one of two solutions; either that they became merged in a great public, or in a great private, system. Disconnected, they were wasteful, inconvenient and unsystematic. This essential fact is fully borne in mind in stating the facts.

Among the railroad capitalists the movement for combination and cohesion commenced at about 1850. In New York State a combination of various bankers, landowners and politicians concluded along in 1851 that it would be an excellent scheme to unite many of New York's separate little railroads into one centralized system. They were not prompted, it is true, by solicitude for the community; very far from it; the community to them signified a domain for spoils. Nor did they have any appreciation of the economic forces behind their project. Their one propelling idea was to buy up the small railroads for trifling sums and then organize a corporation and sell those railroads to the corporation at a tremendous profit. Nevertheless, in carrying forward the centralizing movement they did a necessary service to the community, however heavily the people have had to pay for it. The Troy and Schenectady Railroad was agreed upon as one of the roads to be included in this combination.

A CITY BETRAYED AND PLUNDERED

How was the city of Troy to be induced to sell its railroad to the clique of projectors? This was the problem. It did not perturb them long. Russell Sage undertook to carry through this portion of the bargain. He was at this time a leading member of the Troy Common Council, and was serving as one of Troy's directors in the managing of the Troy and Schenectady Railroad. His first move, it would appear, was to cause a steady mismanagement of the railroad's affairs so as to create dissatisfaction, if not disgust, with the continuance of public ownership and operation. Very deftly was his undermining and sapping work done—so deftly and by such surreptitious methods that no suspicion of his complicity was aroused. A public sentiment unfavorable to Troy's retention of the railroad was then adroitly worked up; public petitions praying for the sale of the unprofitable and unsatisfactory road began to flow in to the Common Council.

What did the Common Council now do? It appointed a committee to consider the question of selling; of this committee Sage was the most active member. So very active was he that the committee reported favoring the selling of the railroad. The proposition was, in fact, carried by one vote; it was Sage's vote which decided. Then, on January 24, 1853, another committee of the Common Council was appointed; its assigned function was to sell the stock, franchise and property of the railroad for not less than $200,000. Who was it that also singularly happened to be the foremost member of this second committee? The phenomenally industrious Alderman Sage. And when the railroad was finally sold, who was it that bought it? A company headed by Sage, and Sage it was who became its president.[7] Extraordinarily considerate were the terms of sale; $50,000 was to be paid down, the remainder in fourteen years.

A LITTLE DISTRIBUTION OF $8,000,000

Quite a legitimate transaction, the apologist might say; according to the law, however, it constituted malfeasance in office; many an office-holder in various cities had been removed for less flagrant acts. It was recognized generally as a gross piece of corruption, but nothing was done to interfere with its success nor with the greater corruption that followed. Having, under form of law, grabbed the Troy and Schenectady Railroad, Sage sold it for $900,000 or so to the group of capitalists forming the New York Central Railroad combination. Although but $50,000 had been paid for it in cash, Sage and his associates disposed of it not only for the full value of its $650,000 capital stock, but they also received in exchange a premium of twenty-five per cent. on that amount in New York Central bonds. In this formation of the New York Central, $8,000,000 in bonds—all watered—were distributed as a bonus among the owners of the various railroads embraced in the consolidation; [8] no insignificant portion of the eight millions was Sage's share of the spoils.

Whatever might be the later outcries of Troy's population over the merciless extortions of the New York Central Railroad, Sage was now heralded more of a "prominent citizen" than ever before, a citizen of exceeding worth, stability and standing. The glorious and patriotic occupation of politico-business man, with its radius of opportunities, had proved very lucrative. Yet the national capital, Sage concluded, held out much greater inducements. Accordingly, the corrupt Troy political ring, of which he was a leader, caused him to be elected to Congress; there he took his seat in December, 1853, and in 1854 was reëlected.

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[7] See Investigation of the Railroads of the State of New York, 1879, v:28-58.

[8] The "Hepburn Committee" legislative investigation of 1879 went into the history of this stock watering operation. An account of the Troy transaction by F. W. Powell, entitled "Two Experiments in Public Ownership of Steam Railroads," appeared in the "Quarterly Journal of Economics," issue of November, 1908.

That was the era when act after act was passed granting money and land, either openly or by indirection, to railroad companies, and giving corrupt powers and privileges of all miscellaneous kinds to other corporations and to individual capitalists. In the one year of 1856, exclusive of other years, Congress passed at least thirty railroad land-grant acts for the benefit of as many separate railroad corporations—acts under which these railroad companies obtained the ownership of tens of millions of acres of public land. The corrupt means used to get these acts through proved one of the great scandals of the times, and led to the appointment of numerous Congressional and State legislative investigating committees. Few members of Congress and legislatures there were, as was abundantly shown, who did not take bribes either in money or in stocks and bonds.

If Sage was barely noticeable in Congress, and a tolerably complete blank in public life, he nevertheless all the more effectively and intimately cohered himself with many of these same rich railroad projects. The particular means whereby he did so are not ascertainable, but certain it is that when he left Congress he was found to be a conspicuous "insider" of various of these land grant railroad corporations.

UNRESTRAINED FRAUD AND BRIBERY

"He was called the father of railroad construction companies in Wisconsin and Minnesota," warbled a rhapsodizing writer,[9] apparently confident that the reference would redound to Sage's undying credit. What this eulogist prudently omitted was an account of how these companies secured their charters and land grants.

The Minnesota and Northwestern Railroad Company was one of the railroad companies which obtained its charter and land during the very time Sage was in Congress; the act was passed to the accompaniment of charges of fraud and bribery. As regards this corporation, however, there is no documentary evidence connecting Sage with it. But it is worth while referring to it.

A select committee of the House was appointed on July 24, 1854, to investigate; and although the committee handed in an evasive, whitewashing report, the testimony given before it undoubtedly proved that somehow the wording of the act had been fraudulently changed in the House in the process of engrossing. These changes, according to J. Travis Rosser, secretary of the Territory of Minnesota, "gave millions of dollars" to the railroad company in question. As originally passed by the Senate, the bill had given the donation of land to the Territory of Minnesota, not to the company; as it finally read after becoming a law, the bill contained the fraudulent changes inserted in the House.[10] Robert W. Lowber, a stockholder, testified that arrangements had been made in the debate over the bill whereby the opposition of certain of its opponents was bought off, a statement which the incriminated denied.[11] The majority of another committee, appointed on July 10, 1854, to investigate charges of bribery reported: "The undersigned believe that it is clearly established by the testimony that money has been liberally used to secure the passage of bills, and they verily believe that much more evidence could be procured if time had been allowed the committee to make a more thorough investigation of the facts." [12]

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[9] "America's Successful Men," i:567.

THE ENTERPRISING FACTORY OWNERS

This committee found that Samuel Colt, the founder of a fortune based upon the manufacture of firearms, paid out at least $15,000 to Dickerson, his attorney and one of his lobbyists, to buy off the opposition in Congress to a bill extending Colt's patent rights, the time limit of which had expired. The testimony indicated that about $60,000 in all was spent in getting the bill passed. Another lobbyist, Jere Clemens, who also did the disbursing of Colt's bribe money, was, at the same time, as he admitted under oath, lobbying for various railroad corporations seeking land grants, and for a bill similar to Colt's which extended the patent rights of Cyrus H. McCormick,[13] a manufacturer of reaping machines, and the founder of a multimillionaire fortune.

And how other factory owners were bribing Congress to pass tariff acts was disclosed by the investigation of a select committee of the House, the majority of which committee reported that one firm in particular, Laurence, Stone and Company, of Boston and New York, owners of the large Middlesex Mills, and the equally large Bay State Mills, in Massachusetts, had expended $87,000 in bribes to have the duties on raw woolen materials and dye stuffs reduced.[14] Failing to get from Congress, politically pledged to a low tariff, a high protective tariff on woolen goods, they set out to accomplish the same result by securing a reduction of customs duties on raw material. One of the lobbyists for this firm was A. R. Corbin, brother-in-law of Ulysses S. Grant, the same Corbin whom Gould later bought up in his gold manipulation. Corbin received $1,000 in bribes from Laurence, Stone and Company, and he made no concealment of the fact that he had been regularly acting for the Illinois Central Railroad and other railroad corporations.

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[10] Reports of Committees, Thirty-third Congress, First Session, Vol. iii, Rep. No. 352:30.

[11] Rep. No. 352, 1854:35. This act was later repealed. See next chapter. Lowber was, for a time, acting-president of this company. He was a notoriously corrupt New York city politician, and at that very time, was making considerable sums of money, by fraudulently selling land at exorbitant prices, to New York City. (See "The History of Tammany Hall," p. 216.) Lowber, on one of these occasions, corruptly sold land to the City of New York for $196,000, which the Controller refused to pay on the ground that this sum was five or six times more than the land was worth. Lowber recovered judgment in the courts against the city, and when the Controller declined to satisfy it, was on the point of causing New York's City Hall, in 1858, to be sold at auction, when Mayor Tiemann halted the proceedings, and raised the necessary sum. As it was, the paintings and statuary in the City Hall were sold, and were bid in by Mayor Tiemann's secretary.

Other officers of the Minnesota and Northwestern Railroad Company were equally notorious New York lobbyists and corruptionists.

[12] Reports of Committees, Thirty-third Congress, First Session, Vol. iii, Report No. 352:35.

[13] Rep. No. 352, etc., 20. It is deserving of note that Houghton includes both Colt and McCormick in his "Kings of Fortune, or the Triumphs and Achievements of Noble, Self-made Men," etc.

This was the time, it will be recalled, when Commodore Cornelius Vanderbilt, E. K. Collins, and other steamship capitalists were debauching Congress to get mail subsidies, and when Vanderbilt was blackmailing two Pacific steamship lines out of $612,000 a year of the Government subsidy funds. It was also during these years that a House committee, after investigation, found that the enacting charter and the land grant of the Des Moines Navigation and Railroad Company were passed by bribery.[15] Obviously, judging from the reports of these various investigating committees, and from the much more significant circumstances calling for the appointment of those committees, Congress reeked with fraud and bribery, of which only slight oozings came to the surface; and we incidentally get, in passing along, a lucid insight into some of the methods of the founders of great fortunes based upon manufacturing industries.

Bribery, indeed, was so undeniably rife that as a sop to public feeling, one investigating committee after another was appointed to inquire into charges. While on this subject, digression will be made to deal with two scandals in particular which came up at this period. It is well worth while referring to these, first, because they additionally reveal the utter corruption carried on continuously at Washington by every section of the capitalist class, and second, because they disclose some of the methods by which one of the most lauded multimillionaire financiers and "philanthropists" in the United States built up his fortune.

This was William W. Corcoran, a Washington banker, who, after the Civil War, became reputed as one of the most substantial and respected financiers in the United States. During the decades when Gould and Sage were being hotly denounced for their frauds, Corcoran loomed up as a staid, conservative banker and a man of accredited most honorable past. He was the chief partner of the banking firm of Corcoran and Riggs, and bequeathed $2,000,000 for a splendid art gallery to the city of Washington, and he also established a home for decrepit old women.

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[14] Reports of Committees, First Session, Thirty-fifth Congress, Vol. iv, Report No. 414.

[15] See later chapter.

A SIDEWISE GLANCE AT A NOTED PHILANTHROPIST

Corcoran was another of the many capitalists who contrived to assume a coating of protective respectability. His methods, however, were of the same fraudulent nature as those of all the other successful money getters.

Evidences of what these methods intrinsically were came out in 1854; they made such a rumpus that the House of Representatives was compelled to undertake some investigation. According to the written and repeatedly made charges of Benjamin E. Green, a political figure of the period, Corcoran had extensively bribed public officials in order to make large sums of money out of the handling of United States funds and of speculation in them. Under the treaty of Guadalupe Hidalgo, the United States had agreed to pay Mexico a large indemnity for territory ceded after the Mexican War. Part of this sum was paid by 1850, but a considerable sum still remained to be settled. Mexico needed money badly, and proposed that the United States pay it directly to the Mexican Government without the intermediary of banking houses. Green charged that Corcoran bribed Thomas H. Bayly, chairman of the House Committee on Ways and Means, so to misrepresent Mexico's proposition and manipulate matters that the firm of Corcoran and Riggs should be made the middlemen in the transaction. "Bayly," charged Green, "held a control over all of the appropriation bills in most of which Corcoran was directly or indirectly interested." [16] Corcoran thus obtained the handling of the indemnity funds, and made a profit of about $500,000 from the transaction.[17] A select committee of the House of Representatives made a show of investigating the charges against Bayly, and reported on August 3, 1854, a case of "not proved."

THE GARDINER-MEARS SWINDLE

At the very same time Corcoran was involved in another investigation by the House Committee on Judiciary—a committee many of the members of which were themselves corrupt politicians. The transaction which it was investigating under a resolution passed by the House on March 6, 1854, was the great swindle perpetrated by George H. Gardiner and John H. Mears upon the United States Government. By perjury, forged affidavits and bribery these two men obtained $581,000 from the United States Government upon the representation that property of theirs had been destroyed in Mexico during the Mexican War. After the money had been appropriated, the facts as to the "astounding fraud" (as a House Committee termed it) came out publicly. Both the Senate and the House investigated the transaction; a Senate committee reported that the claims

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[16] Reports of Committees, Thirty-third Congress, First Session, Vol. iii, Rep. No. 354:4.

[17] Ibid.

"were false and fictitious and the awards obtained upon forged and fabricated papers." [18]

The people of the United States were wrought up over the disclosures of this bold swindle, and Congress was smitten with another of its spasms of virtuous curiosity. A resolution was passed calling for the recovery of the money paid out to Gardiner and Mears. But were these men the real beneficiaries? Who actually got the money? Who were the principals behind the fraud? These were points that had to be inquired into.

As the investigation unfolded it appeared that a group of bankers and politicians were the parties backing the fraud. Possibly they instigated it, although this general belief was not determined. The testimony showed, however, that when the forged affidavits were being prepared, money was urgently needed to carry the projected swindle to a successful conclusion. At this point Corcoran came forward. He loaned $18,750 as funds for the promotion of the swindle, although he claimed, when the committee was investigating, that he did not know that this money was used to buy up testimony and otherwise complete the chain of fraud. But he admitted loaning this $18,750 to Robert G. Corwin and Thomas Corwin, powerful politicians of the day; in return he received an assignment of the Gardiner claim as collateral security.[19] Thomas G. Corwin later was appointed United States Secretary of the Treasury, and it was by his order, under an act passed by Congress, that the money was paid out. Of the $581,875 appropriated, the sum of $321,562.50 was nominally in the name of Gardiner himself, and $107,187.50 was awarded to Corcoran as the assignee of Gardiner. Both of these sums, however, were paid out to Corcoran and entered on the books of Corcoran and Riggs, and (so the report has it) "credited to the parties interested." [20] Gardiner, while being prosecuted for perjury, committed suicide. The bankers and politicians, however, whose tools Gardiner and Mears were, did not, it is hardly necessary to say, have to face criminal trial or any other kind of trial, except a friendly and evasive investigation. So far as Corcoran's complicity was concerned, the committee exoneratingly whitewashed him, and relieved him from any legal responsibility.

It is probable that Sage learned many valuable lessons from his experience at Washington; Corcoran's particular kind of banking methods must have opened his eyes to possibilities. At any rate, already a millionaire, or nearly one, from the combination of business and politics, Sage now went into the banking business at Troy, and became a money lender and usurer on a large scale.

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[18] U. S. Senate Report No. 182, 1854.

It was at this period that vast stretches of valuable land in the Southwest and the Pacific States were being obtained by forged documents and by the testimony of perjuring Mexicans. See later chapters.

[19] House Reports, Thirty-third Congress, First Session, Vol. iii, Report No. 369:39.

[20] Rep. No. 369, etc. It is pertinent to note here that Riggs, of the firm of Corcoran and Riggs, was accused, in 1868, of handling a corruption fund employed by the Russian Minister to the United States to secure the passage of a bill appropriating $7,200,000 for the purchase of Alaska by the United States. The House Committee on Public Expenditures investigated. Riggs denied the charges. But inasmuch as the members of the Russian Legation, although requested to appear and explain, refused to do so, the Committee reported its investigation, "barren of affirmative or satisfactory negative results."—See Reports of Committees, Third Session, Fortieth Congress, 1868-69, Report No. 35.

It was at this juncture that he turned up as one of the largest bondholders of the La Crosse and Milwaukee Railroad. He had become associated with this project at about the time he was in Congress, but the fact was not known until several years afterward, when he foreclosed. The eulogistic biographer in "America's Successful Men," treated Sage's connection with the La Crosse and Milwaukee Railroad in this light fashion: "The panic of 1857 found Mr. Sage a large creditor of the La Crosse Railroad. . . . To protect the loans he had made to the road he found himself compelled to advance yet larger sums, and later, through legal proceedings instituted to protect his investment, he became the owner of the road which afterward became a part of the Chicago, Milwaukee and St. Paul, of which Mr. Sage was at different times a director and vice president."

THE BRIBERY OF AN ENTIRE STATE

This explanation read very smoothly, but it omitted a multitude of details both essential and enlightening. It can be said that at a period when bribery and fraud were so common as to cloy the popular mind, no transaction aroused a greater sensation or made a deeper impression upon a people jaded with continuous exposures of bribery, than the great thefts and briberies committed by the owners of the La Crosse and Milwaukee Railroad.

This corporation had been chartered by the Wisconsin Legislature in 1852 to build a railroad crossing Wisconsin from Milwaukee on the eastern boundary, to La Crosse on the western. Two additional acts passed in the same year allowed it to consolidate with two other railroads running in different directions.

In June, 1856, Congress passed a bill granting to Wisconsin approximately 2,388,000 acres of public land in that State to be distributed among the railroads in Wisconsin. The enactment of this law was one of thirty distinct railroad land-grant acts passed in that one year. That they were put through by bribery was shown by the report of a House investigating committee which recommended the expulsion of four prominent Congressmen on the ground of their having been at the head of corrupt combinations in Congress.[21] The La Crosse and Milwaukee Railroad Company thereupon lost no time in bribing (and all of the other land-grant railroads did the same in other States) the Legislature of Wisconsin to award a huge land grant. What followed the corrupt acts of Congress would doubtless never have been made public had it not been for the fact that another railroad company was sharply competing with the La Crosse and Milwaukee Company to get the major land grant from the Wisconsin Legislature. Beaten in the contest it revengefully raised charges that bribery had been used. The result was the appointment of a joint investigating committee by the two houses of the Wisconsin Legislature, and it is from their report, covering more than three hundred pages, and handed in on May 13, 1858, that the fullest details are obtainable.

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[21] Report of Select Committee appointed to Investigate Certain Alleged Corrupt Combinations of Members of Congress, Reports of Committees, 1856-57, Vol. iii, Report No. 245.

This committee reported that in the construction of the La Crosse and Milwaukee Railroad nearly $1,700,000 had been stolen by the directors up to 1856. One method was by making exorbitant contracts with themselves to construct their roads; another was by false construction charges; a third was by their buying property as individuals and then selling it to the company at exorbitant prices. These fraudulent methods were common among the directors of railroads throughout the United States. According to the findings of the committee, the La Crosse and Milwaukee Railroad directors, composed of Wall street bankers and New York politicians, had so plundered the stock, security and property of the company that it was reduced to a condition of bankruptcy. The plan was thus made imperative of getting a large land grant in order to rescue the company from its condition, and save the directors from criminal prosecution for frauds and robbery. Sage did not figure among the directors at this time; his holdings, it appears, were in bonds not stocks; he remained in the background working through intermediaries.

$800,000 IN BRIBES TO GET AN ACT PASSED

To get this land grant, consisting of about 1,000,000 acres, the La Crosse and Milwaukee Railroad directors debauched not merely a few leading members of the Legislature, but virtually the whole Legislature, the Governor and other State officers, and a large number of editors of newspapers and politicians. It was this wholesale bribery of an entire State, joined with the general plunder, robbery and sundry swindling, that made so uncommonly deep an impression upon the public mind; the newspapers, which in general ordinarily gave scant space to accounts of bribery, opened up on this occasion, in evident appreciation of the nature of the scandal, and published long summaries, in some cases covering a page and a half in fine print, of the committee's report.

More than $800,000 in bonds and money—but chiefly in bonds—had been paid out in bribes to insure the passage of the land-grant act of 1856, the committee reported. This was an underestimate. According to the report of the president of the La Crosse and Milwaukee Railroad Company to the stockholders, the passage of this act cost $1,000,000 in bonds.[22] In his annual report for 1858 the president of the company bewailed the fact that the passage of the land-grant act had cost the company so much. He itemized the expenses incurred. The first was this brief but significant entry, "Construction bonds of 1862, issued for Charter Expenses, $1,000,000." The second item enumerated in the list of expenses for getting the land grant was another $1,000,000 spent in the purchase and consolidation of the St. Croix and Lake Superior Railroad, which railroad was awarded 847,000 acres of public land.[23] A third entry was, "Stock issued for Charter Expenses at Madison [the capital of Wisconsin], $90,000."[24] A fourth item was one of $210,000 "for services" in getting a charter for a branch railroad called the Milwaukee and Watertown Railroad.[25]

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[22] See "The Sixth Annual Report of the La Crosse and Milwaukee R. R. Company. New York, 1858":16.

Large as they were, these expenditures were trivial compared to the value of the land grants received. The annual report of the La Crosse and Milwaukee Railroad Company for 1857 contained a statement from the Wisconsin Land Commissioner setting forth that the areas granted were rich agricultural and timber lands, and valuing them at the sum of $17,345,600.[26] Seventeen million dollars in return for a disbursement of several millions in bribes was not a bad business transaction.

"UNPARALLELED ACTS OF FRAUD AND PLUNDER"

But to revert to the report of the joint legislative committee of Wisconsin: It reported that for the passage of the land-grant act of 1856, $175,000 in bonds were distributed among thirteen specified Senators, the individual bribes of whom ranged from $10,000 to $20,000; that $355,000 in bonds had been given in bribes to seventy specified Assemblymen—an average bribe of $5,000—; that $50,000 in bonds were given as a bribe to Coles Bashford, Governor of Wisconsin, and $16,000 to other State officials, and that $246,000 had been variously paid out to certain specified editors and to other persons of influence.[27]

The committee reported that the bribers used a secret written code in order to conceal the evidence of bribery. This code, however, was revealed. The committee commented: "The bribery or 'buying up' a great majority of the Legislature of 1856, is discovered in the background as a tame fact, while the ingenuity displayed in the attempt to veil the transaction beyond the possibility of detection, is so supremely *unique* as to extort attention. The actors seem not to have been mindful of the fact, that no lid was ever large enough to completely cover up itself."[28]

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[23] "Sixth Annual Rep., La Crosse and Milwaukee R. R., 16.

[24] Ibid.

[25] Ibid.

[26] "The Fifth Annual Report of the La Crosse and Milwaukee R. R. Co., 1857," 35 and 100.

[27] Report of the Joint Select Committee Appointed to Investigate Into Alleged Frauds and Corruption in the Disposition of the Land Grant by the Legislature of 1856 and for Other Purposes; Appendices to [Wisconsin] Senate and Assembly Journals, 1858.

[28] Ibid., 47. In Wisconsin, not less than in other States, large numbers of farmers

"The evidence taken," the committee concluded, "establishes the fact that the La Crosse and Milwaukee Railroad Company have been guilty of numerous and unparalleled acts of mismanagement, gross violations of duty, fraud and plunder. In fact, corruption and wholesale plundering are common features." [29]

They were not merely common features of the railroad corporations in Wisconsin, but everywhere else in the United States; year after year they went on unhindered by legislative or Congressional investigations. Far from being forfeited the granted rights and property became strongly riveted vested private rights; neither the bribers nor the bribed were troubled with criminal prosecution except very rarely, and then it was only the subordinate tools who were sent to prison. Every bribery scandal would be shortly followed by some new scandal; the old would die away or become forgotten, and the new would absorb public attention for a time, only to go through the same process.

Yet, under a noted decision of the Supreme Court of the United States, the principal, in every transaction coming within the law, was fully liable to punishment. In January, 1829, in a suit brought by the Government against Astor's American Fur Company, growing out of a seizure by General Tipton of liquors intended for debauching the Indians, that court had laid down this principle of law (Peter's Reports, II, 364): That whatever was done by an agent, in reference to the business in which he was at the time employed, and within the scope of his authority, was said and done by the principal, and might be proved in a criminal as well as a civil case, in all respects as though the principal were the actor or speaker. This interpretation, however, was no more used against other capitalists than it was against Astor.

The great land grants received by the La Crosse and Milwaukee Railroad Company were not the only gifts in the legislative acts of 1856. As a corporation the company was forever exempted from taxes, and the lands granted were exempted from taxation for ten years—a sufficient time in which to strip them of their timber or sell them. Despite all of

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were flagrantly robbed. The robbery of Nation, States, counties, municipalities and individuals proceeded at the same time.

Of the corruption and fraud in the case of the Milwaukee and Superior Railroad Company, an investigating committee reported that many of the farmers in Milwaukee County and other parts of Wisconsin had mortgaged their farms in order to raise money for the purchase of railroad stocks. These farmers "were anxious to aid in the construction of a road which they supposed would benefit themselves and the public generally." Many were Germans, "confiding, unsophisticated men." The committee continued: "A swarm of these vultures known as 'stock agents' were sent out amongst the people, and as the result shows, from the evidence herewith, many poor and worthy men have been robbed of their all, and unless some relief is extended to them in some way, will soon be deprived of their houses, if said mortgages are of any legal effect." . . . Report of Select Committee Appointed Under Resolution No. 128, Assembly, to Investigate the Affairs of the Milwaukee and Superior Railroad Company, Appendix to Assembly Journal, Wisconsin:10-11.

[29] Report of the Joint Select Committee, etc., Appendices to [Wisconsin] Senate and Assembly Journals, 1858:47.

the legislative gifts, and additional very valuable donations by towns, counties and cities, the railroad had been so consummately pillaged of its money and resources, and so difficult was it to raise money in the panic of 1857, that it was forced into bankruptcy.[30]

Now it was, as his biographic limners expressed it, that Sage projected himself into the foreground to "protect his interests." How he accomplished it they did not tell, but the court records of the time described his methods with considerable plainness of speech if not clearness of explanation. It appeared that Sage had been all along using dummy directors and agents; that is to say, he had put forward certain men who nominally were the owners and active spirits, while he, under cover, was actually the controlling owner and moving figure. This fact came out in numerous suits which were carried to the Supreme Court of the United States, and it is from the records of this august court that certain details are obtained.

FRAUDULENT BONDS AND FRAUDULENT SALE

Sage was virtually the owner of a two-million-dollar third mortgage issued to cover the eastern division of the La Crosse and Milwaukee Railroad, extending from Milwaukee to Portage City, or about half the breadth of Wisconsin. The Supreme Court of the United States set forth in its statement of the case in 1867 that for these $2,000,000 in bonds, not more than $280,000 had been paid in money. "Indeed," said the Court, "the actual amount is but a little over $150,000." [31] By what the Court called "a fraudulent arrangement," intended to cheat the stockholders and the creditors of the road, this third mortgage was given precedence and the property was foreclosed. The Supreme Court records did not show how Sage got hold of his bonds, but they did spread out that the fraudulent bond issue was followed by a fraudulent foreclosure sale.

"Of the $2,000,000 in bonds," the Court said, "only $200,000 in money was paid. The remainder of the two millions was in the hands of either directors or under their control by a fraudulent arrangement." The Court denounced the foreclosure as a sale made by a fraudulent notice in which the interested parties only knew what was about to happen.[32]

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[30] In the testimony before the Wisconsin Joint Select Committee of 1858, Sage's name was not in any way brought out. It is certain, however, that in 1857 Sage was a controlling owner of the La Crosse and Milwaukee Railroad. The investigating committee reported this testimony of Prentiss Dow, a stockholder:

"In August and September, 1857, rumors became very current in New York that vast frauds had been committed in the management of the affairs of the company; that the funds raised by the sale of subscriptions of land grant bonds had been applied to other purposes than building the road; . . . that the 'statement' of the company was unreliable, as to the true condition of the company. Many of the holders of land grant bonds became alarmed and sales of them were made as low as twenty cents on the dollar."—(Appendix to Assembly Journal, Wisconsin, 1858, p. 165.) Perhaps Sage bought more of the bonds at this time.

[31] James vs. Railroad Company, Wallace's Reports, Supreme Court of the United States, vi:755.

This foreclosed eastern division of the La Crosse and Milwaukee Railroad was reorganized as the Milwaukee and Minnesota Railroad Company, with Russell Sage as its president. The foreclosure had been applied for on August 17, 1857. It would seem, therefore, that Sage had become a heavy bondholder during, or immediately after, the very time when the acts were being bribed through Congress, and that he was one of the largest bond creditors at the identical time, or soon after, the La Crosse and Milwaukee Railroad Company had corrupted the entire State of Wisconsin with $800,000 in bonds as bribes. But the precise date of his becoming connected with the railroad was not altogether clear in the records. After the foreclosure sale, some of the stockholders and many of the creditors, comprising firms which had supplied material for the construction of the railroad, objected to being cheated. A number of legal actions ensued; these were also carried to the Supreme Court of the United States, and from them additional facts could be gleaned.

A GENERAL ALL-ROUND SWINDLING

One of these cases considered by this court in 1863 was that of several banking firms representing Sage, in an action against the La Crosse and Milwaukee Railroad Company, the purpose of which suit clearly was to swindle the stockholders and judgment creditors. On the face of the action, it was necessary that Sage's Milwaukee and Minnesota Railroad Company, as the successor in part of the original company, should make a defense, but very curiously it made none. There was something very singular about this omission; what it was came out in the intervening application of defrauded stockholders. The records of the case of Bronson et al. vs. The La Crosse and Milwaukee Railroad Company read:

> After the time had expired within which the Milwaukee and Minnesota Railroad Company ought to have answered, but before an order had been entered taking the bill against them *pro confesso,* one J. S. Rockwell, a stockholder of the said company, presented to the court his petition, charging collusion between the complainants or their agents, and one Russell Sage, president of the said Milwaukee and Minnesota Railroad Company, to secure a foreclosure and sale in their cause; for the purpose of extinguishing the rights of the said Milwaukee and Minnesota Railroad Company, which was alleged to be the owner of the equity or redemption of the mortgaged premises; and that the president [Sage] of the last named company, although requested by its stockholders, had declined to make any defense in its cause.[33]

Obviously, for the scheme afoot was so to tangle up the affairs of the company in legal hocus pocus as to have a valid ground for absolutely cheating (or as the term went, "freezing out") the stockholders and judgment creditors. Four years later, as we have just noted, the Supreme Court of the United States found it so in deciding another case.

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[32] Wallace's Reports, Supreme Court of the United States, vi:755.

[33] Wallace's Reports, Supreme Court of the United States, ii:285-286.

Rockwell was not the only stockholder charging collusion. Another stockholder, Fleming, presented a petition making a number of charges of which collusion was merely one. He also charged that the mortgage issued by the La Crosse and Milwaukee Railroad Company represented what was popularly known as "Corruption Bonds" and was gotten up "for the corrupt and fraudulent purpose of disposing of said bonds, or a large part thereof, in payment of pretended debts to the officers and agents of said company, or their friends, without any consideration to be paid therefor." Also, "that a large part of said bonds were so disposed of and given away in fraud of its creditors." [34] The attorney for the complaining stockholders said in summing up the case: "Men placed to manage corporations for the interest of the stockholders manage them only for their own. They become contractors, half ruin the corporation, pay themselves with its assets at enormous discounts, then resuscitate things and are rich in the result." [35] The Supreme Court of the United States subsequently set aside the foreclosure sale on the ground that it was fraudulent, but Sage, by other means, succeeded in keeping his hold.

These are the authentic, exact legislative and court records. Entirely different are the facts they reveal from the phrase going the rounds of the press at Sage's death couched in this or similar language, "Perhaps the most noteworthy fact in the accumulation of Mr. Sage's fortune is the absence of graft." And likewise very different are they from the statements given in the ludicrous "histories" prepared by the railroad corporations themselves.

While Sage was foreclosing the eastern division of the La Crosse and Milwaukee Railroad, he was, at the same time, foreclosing, by reason of his holdings, another division which likewise became a part of the Chicago, Milwaukee and St. Paul Railroad system. This other division was the Milwaukee and Horicon Railroad, which was part and parcel of the continuous corrupt transactions. The "historian" of the Chicago, Milwaukee and St. Paul system wrote of the episode in this uninforming way: "The Milwaukee and Horicon Railroad, incorporated in 1852, was foreclosed by Washington Hunt and Russell Sage in 1863 and by them transferred to the Chicago, Milwaukee and St. Paul in June, 1863." [36]

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[34] Wallace's Reports, etc., ii:287. This is one instance of many more such instances clearly revealing the real nature of the "ability" of the capitalists in "developing the resources of the country." "Ability" it was of its kind, and one wholly used for plunder and personal enrichment.

[35] Ibid., 295.

[36] "Outline History of the Chicago, Milwaukee and St. Paul Railroad Company. Compiled by the General Passenger Department, 1888:" 2.—The chief attorney for the various railroads merged in this system was Samuel J. Tilden, who later posed as so great a "reformer" in politics, and who was the Democratic nominee for President of the United States in 1876. It will be continuously observed that the men

The enormous frauds in Wisconsin were only a part of Sage's activities at this period. At the same time, he and his fellow capitalists were contiguously carrying through similar fraudulent operations in Minnesota. Were it not that occasionally they fell to quarreling over the spoils, and let out secrets in the civil courts, we should be at a loss to know the precise nature of their transactions. As it was, certain records of lawsuits survived to give a fairly clear index of their methods, and what these were will now be related in an expository outline.

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nominated by both political parties for high office, executive, legislative and judicial, were invariably those who had proved their usefulness as tools, retainers or beneficiaries of the corporate interests. Witness Garfield and Blaine, implicated in the Credit Mobilier swindle, Morton and many others.

Chapter XIV

More Details of the Sage Fortune

In the preceding chapter we have seen how, by corruption and fraud, Congress, in 1854, passed an act the wording of which was so surreptitiously altered as to give nearly nine hundred thousand acres of public land in Minnesota direct to the Minnesota & Northwestern Railroad company. Composed of a combination of Eastern and Western capitalists, lobbyists and politicians, this company proceeded to regale the country with sonorous prospectuses of the great things that it intended to do in developing the wilderness of the Northwest. Could the nation doubt the veracity and noble intentions of its charterers, all solid men of capital? Was the good faith of its projectors, headed by that eminent capitalist, Erastus Corning, of Albany, New York, to be questioned? For once the sweet song failed to charm the public, which rose in angry protest against the corruption used, and Congress hastily backslid and repealed the act.[1]

It was not often that Congress repealed such corrupt acts; when it did so, astonishment was general.

GIFTS OF FOURTEEN MILLION ACRES

But the good behavior of Congress was of the briefest duration; a mere ebullition serving duty as something with which to blind the nation. The milling of land-grant bills went on busily; the repealing of that one particular act produced an effect which distracted public attention and which allowed the unscrutinized passage of many other acts. Among these were measures giving six millions of acres of public lands—eventually to expand into fourteen millions in all—to the Territory of Minnesota (soon to become a State) for the benefit of railroad corporations. The proprieties of the usual form of procedure were now scrupulously observed; the lands were donated to the individual States, to be granted by them to railroad companies. Congress had learned its lesson of the necessity of sticking to outward forms; henceforth in the case of State grants the bribery had to be dually done, part at Washington and part at the various State capitals.

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[1] Notwithstanding its repeal, the Minnesota and Northwestern Railroad Company influenced the United States District Attorney for Minnesota to bring a trumped-up suit in order to get a favorable court decision on the validity of its title. That official was summarily dismissed from office by President Pierce when the facts became known.—House Executive Documents Thirty-third Congress, Second Session, 1854-55, Vol. v, Doc No. 35.

During the session of 1857 a modest little bill went gurgling through, tranquilly making the rounds of the committees and becoming a law. At that precise time many another act was being dragged out to daylight as having been passed by bribery, but this especial bill wended its way unobtrusively, entirely shielded from the searching blaze of publicity. It was an act incorporating the Minnesota & Pacific Railway Company to build a line from St. Paul to St. Anthony's Falls (now the city of Minneapolis) and authorizing various extensions in different directions.

The second part of the program was as successfully accomplished as the first. The Minnesota Legislature was applied to for the wherewithal to carry this enterprising project into execution, and most generously did it respond. Sundry legislative acts gave to the railroad company a grant of ten sections to the mile, six hundred and forty acres to the section, the title to successive grants to vest in the company as fast as every twenty miles were completed. But these were not the only benefactions. In dulcet appeals the company informed the citizens of the State that it needed cash also. Many of these aforesaid citizens, hardy pioneers with a rough way of looking at affairs, were not overcome with emotion at reading these tender appeals. They thought that the land grant was quite enough of an encouragement. But the Minnesota Legislature "during the corrupt administration of Governor Sibley,"—as contemporary writers in Minnesota put it—was of an extremely susceptible nature, incapable of refusing a request.[2] An act was passed authorizing a $5,000,000 issue of bonds—called the "Minnesota State Railroad Bonds"—to be handed over to the railroad companies in that State. Not all of this amount was issued; the total sum turned over to the railroad companies under this special act was about $2,750,000. Large additional sums of money were then contributed by counties and municipalities, and a "smart business" was done in persuading farmers and merchants to invest their money in the railroad.

Whose master mind was behind all of this? Russell Sage's. Rarely did he appear too prominently in the foreground, but he was the soft-treading man who, as was later revealed, chiefly profited from the transactions of the Minnesota & Pacific Railroad Company. After getting the charter, franchises, rights, land grants, funds and exemptions what did he and his partners next do? Valiantly and seductively had they argued for inducements enough to make it possible for them to open up the primitive Northwest. But the moment that the primary object was obtained of securing these diverse "inducements," talk ceased and the work of filling their capacious pockets began with a grim and silent earnestness.

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[2] Legislative corruption was almost continuous. "The numerous charters," complained Governor W. A. Gorman to the Minnesota Legislature, in 1856, "already granted in Minnesota for ferries, lumbering, manufacturing, mining, etc., is enough to arouse your vigilance on this subject." "Many of those charters," he pointed out, "must become sources of immense revenue to the corporators."—Minnesota Council Journal, 1856:91.

First, in the order of the day, came the customary freebooting organization of a construction company, composed of the identical men in the railroad corporation. They made contracts with themselves calling for exorbitant payments; and then, in addition to these great cribbings, they fraudulently awarded themselves bonds in return for pretended services. Along with these embezzlements they placidly set about to cheat the small bondholders and stockholders, and to fleece the creditors who furnished them with necessary supplies and equipment.

ROBBED INTO INSOLVENCY

The thefts were carried on with such rapid assiduity that in about a year after the company had been chartered, its treasury had become a vacancy, and the railroad was plunged into insolvency and, in 1858, foreclosed. Who bought it in? The selfsame men who had looted it; as the chiefs of the construction company they had taken care to fortify themselves with enough bonds to put them in the legal position of majority creditors. Some of them, such as Sage, did their work generally through dummies; others appeared in the open. They might complain, as they did, that the cause of the company's failure was the difficulty in raising money during the panic of 1857; but this was a flimsy, although plausible, excuse.

Presently a unique development turned up. They caused the railroad corporation to be dubbed with two new names; by an act slipped through the Minnesota Legislature, the Minnesota & Pacific Railroad Company was reorganized into two divisions, one called the St. Paul & Pacific, the other the First Division of the St. Paul & Pacific Railroad Company.

Why these separate titles for a single railroad project? Why this confusing arrangement? The reason became obvious a little later. It was an adroit artifice to entrench them in a strong legal vantage to loot and bankrupt the road still further; the same coterie, in reality, directed both companies, and as constructors of a railroad which they themselves directed, they could hand over to themselves bonds making them unassailable creditors of the whole line. An astute piece of ingenuity; whose was the deft brain that conceived the device? It was that of the "great reformer," that evangel of "pure and uncorrupted Democracy"—Samuel J. Tilden. He wove his legal tangles so well, so very, very well, that the small bondholders and the manufacturers who had furnished materials, found themselves before long entirely cheated out of their claims, and with no chance of legal redress.

One of these bondholders, Edward C. Hopkins, with a wonderful trust in the equity of law, bestirred himself to see whether he could not collect on some coupons of bonds that he owned of the old Minnesota & Pacific Railroad. Was not the St. Paul & Pacific, he claimed, the successor of the original company, and thereby bound to respect, and pay, its debts? Was it not a case of an old corporation acting under a new name? The case came up for trial at St. Paul in the United States Circuit Court. The eminent and erudite judge was John F. Dillon—the very Dillon, fittingly enough, who subsequently left the bench to become pleader for corporations in which Gould and Sage were the principal directing spirits.

Judge Dillon handed down some choice bolts of law which served sufficient notice on other small fry of creditors as to what they could expect. The scope of his decision was superbly direct; he held that when the Legislature of Minnesota changed the name of the company in 1862 it created an entirely new corporation which could not be held responsible for the debts of the old. Hopkins' suit was ejected from the court, and both he and the other creditors were left to ponder in unbroken leisure upon the mysterious beauties of the law.[3]

But if the company had a new name—or, rather, two new names—it retained all of the franchises, privileges and immunities of the old corporation—so ran the decision. From its debts it was relieved; in all its assets and possessions it was secured. There was the great and important point; names were but a serviceable mask under cover of which the "insiders" could defraud the lesser capitalists. To note the plaintive squeaks of these outraged victims was a lesson of itself—they who were only too eager to share in the fruits of the bribing of public bodies, the wresting of public resources and the general despoliation of a whole people. Their fine moral instincts were quickened only when they were defrauded, and then their virtuous indignation was unbounded.

HUGE SUBSIDIES POCKETED

While the projectors were cheating out this crowd of dupes what were they doing with the huge subsidies that they had received in one form or another with which to build the railroad? The money had certainly vanished. Where? Little of railroad construction was there to show for the alleged expenditure except some hundred miles of graded prairie. Even the short stretch of ten miles of main line from St. Paul to Minneapolis had not been put into operation by 1862 as required by law. Why not? The rapidity with which such fortunes as Sage's were being amassed was the answer.

When the professional corrupters who had looted this railroad had originally applied to Congress and to Minnesota for gifts of land and money, they had represented themselves as capitalists having "ample resources" with which to carry on the project. All that they needed, was their plea, was State encouragement in some form, because "the undertaking was so expensive." After they had robbed the railroad into bankruptcy, a special committee of the Minnesota Senate began to investigate their antecedents and methods. "The sequel," it reported, "demonstrated that the companies had no cash capital at command, and scarcely credit sufficient to insure prompt location of their lines of road."[4] The committee went on:

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[3] Edward C. Hopkins vs. St. Paul and Pacific Railroad Company, Dillon's Circuit Court Reports, 1871-73, ii:396-398.

> So far as your committee can discover, the companies, since the passage of the loan amendment, have not furnished one dollar of capital to aid in carrying on their gigantic enterprise. They have sold and hypothecated large portions of these bonds at a ruinous discount. They have paid extravagant salaries to incompetent or inefficient officers. With the exception of about fifty miles of well-built superstructure—incomplete, fragmentary and disjointed portions of grading, costing on the average less than three thousand dollars per mile—are all that these companies can show in return for the munificent issue of bonds made to them by the State.[5]

A vivid picture this gives of the original "constructive ability" of the capitalists—an ability conspicuously displayed in perpetrating the most enormous frauds. But where in the United States was it not likewise so?

The successive events now following in the history of this company are dryly incorporated in the records of the case of John S. Kennedy & Company vs. the St. Paul & Pacific Railroad Company, including the First Division, the Northern Pacific Railroad Company, Russell Sage, Samuel J. Tilden, et al.[6] Although the full details are not by any means spread out in these records, some authentic particulars can, at any rate, be gleaned.

By 1871 Sage and his associates had completed certain of the railroad extensions, and had mortgaged them for a total of $13,380,000. Nearly all of this money had been advanced by banking houses in Holland. But sixty miles of main line were still in an uncompleted state, and the people of the State were getting dangerously curious to know why. Millions of dollars had disappeared; all of the gifts in land and money made to the company had been sunk thus far in building only some disconnected and semi-worthless sections of the projected railroad. The directors had to make a move; they did so by evolving a new scheme for bleeding the too eager and credulous Holland capitalists.

DUTCH CAPITALISTS SWINDLED

And this is what they did: A group of men comprising the First Division of the St. Paul and Pacific, corporatively met and issued bonds for $15,000,000. The same men, or their tools, then met as directors of the St. Paul & Pacific (it is hard to keep these fine distinctions in mind) and mortgaged the rights, franchises, and property, including the land grants, to the First Division for ninety-nine years. Then the First Division corporation, as construction company, bound itself to complete the railroad extensions before March 1, 1873, on which date, by a recent legislative enactment, the land grant was to be forfeited in case the extensions were not built.

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[4] Report of Special Committee on Railroads and Railroad Grants. February 3, 1860, Minnesota Senate Journal, 1859-60:343.

[5] Minnesota Senate Journal, 1859-60:344.

[6] Dillon's Circuit Court Reports, 1871-73, ii:448-527.

The terms of the mortgage were explicit and enticing. The whole of the $15,000,000 was to be applied to building the extensions. On the strength of this agreement about $8,000,000 more was raised in Holland in 1871. But there was one bit of information the Sage clique carefully kept from the Holland capitalists. They did not tell the Hollanders that a large part of the money raised was to be applied to the main line, in violation of the express terms of the mortgage.[7]

What was done with the $8,000,000 raised in Holland? This sum, which the borrowers swore on solemn oath to the Hollanders, was to be used entirely for constructing the extension lines, was immediately distributed in various plundering ways. About $3,000,000 of it was fraudulently diverted to the completion of the main line; large sums were grabbed to pay interest on the main line mortgage bonds, and other millions were used for what? For the purchase of iron material and the payment of contractors for work on the extension line. And who sold the iron? The First Division Company. The operation was simple; Sage, etc., sold to themselves the rails, and charged the account against the money advanced by the Dutch capitalists.[8]

Those were, indeed, halcyon times of bold graft; the robbery was so large and openhanded that naturally enough the First Division, the treasury of which was sacked as fast as it was filled, went into insolvency in 1872. In less than a year more than $8,000,000 had been "scattered"; we should say, concentrated, for the great bulk of it went into the pockets of a few, and remained there. Nor was this all. When the First Division suspended work in October, 1872, it owed its contractors—subordinate firms who really did the constructing work—about $700,000, although it later reduced this debt to $500,000 by paying part in supplies of iron. It also heaved under large floating debts, and its interest coupons were under protest.

THEY APPEAL TO COURT

Tricked and stripped, the Dutch capitalists now fully realized their predicament; the money that they had skinned from native peoples at home, had been plucked from them. How could they recover it? They took the only step that they could possibly take, which was to apply for a receiver. Hence the suit brought by John S. Kennedy & Company, acting for them and for other bondholders. In cold legal phraseology they set forth their plaint; they had been lied to and defrauded. "They [the bondholders] also claim," read the formal court statement, "that by reason of the insolvency of said First Division Company, and of various fraudulent and improper acts of its managing officers—which are not here recited because the court does not deem it material to the real merits of the application—that a receiver should be appointed," etc., etc.[9]

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[7] In its dry terminology the Court expressed the fact thus: "But this part of the scheme as contemplated a diversion of a portion of said proceeds to the main line not being made public or announced to the persons who subsequently purchased said bonds." Dillon, v:459.

[8] Dillon's Circuit Court Reports, 1879-80, v:451-459.

Judge Dillon concurred that a receiver should be appointed. Urgent reasons, he said, compelled it. The company had a great land grant valued at $6 an acre; and this was the only adequate security for the $15,000,000 mortgage. But it happened that these lands, or a large part of them, were to be forfeited if certain extensions were not completed by a certain time. It was imperative, Dillon said, to save that land grant, and as the directors of the road admitted that there was no money in the treasury, it was to the best interests of the bondholders to have a receiver appointed. The receiver would have authority to complete the extensions. Dillon, thereupon, on September 1, 1875, appointed one Jesse P. Farley as receiver.

The next developments were revealed in the second suit of John S. Kennedy & Company against the St. Paul and Pacific Railroad.[10]

Farley, it seems, made a great ado about the constructing work he was doing, but as a matter of fact, he spent only about $100,000 in the work of constructing and repair.[11] However, he kept up the pretense enough to save for a time that part of the land grant threatened with forfeiture. But by 1878 the people of Minnesota were again ablaze. Twenty-one years had passed since the company had been chartered; it had received vast subsidies in money and land not only from the National Government, the State, cities and counties, but from individuals. All along its route, both completed and projected, farmers and merchants had subscribed for its stock, only, they found, to hold worthless bits of paper which produced neither railroad nor returns. The company had twice looted itself into insolvency; it had, by repeated sleight-of-hand process, defrauded not only native capitalists, farmers and merchants, but it had done away with the many millions poured in by the Dutch capitalists.

THE LEGISLATURE WAKES UP

Now it was still deep in bankruptcy. The Legislature could not hold out against this overwhelming expression of popular indignation. On March 9, 1878, it passed an act declaring that unless a specified number of miles should be built by certain dates, then the uncompleted portions, together with the land grants, rights, franchises, immunities and appertaining property "shall at once be and become absolutely forfeited to the State of Minnesota, without any act or ceremony whatsoever.[12]

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[9] Dillon's Circuit Court Reports, 1879-80, v:451-459.

[10] Dillon's Circuit Court Reports, 1879-80, v:519-536. Kennedy, however, betrayed the interests of the Dutch stockholders, colluded with the receiver, and made a fraudulent arrangement by which he (Kennedy) profited enormously. Kennedy thus obtained many of the millions, the donation of some of which later enabled him to blossom out as a "great philanthropist." See the chapter on the Hill fortune.

[11] Dillon's Circuit Court Reports, 1879-80, v:519-536.

It was a drastic law, and some action had to be taken at once, if the State was to be thwarted. Who would furnish the money necessary to build the uncompleted sections, and thus prevent the forfeiture of franchises and land grants? Sage and others, after getting out of the road all the plunder that they could see in sight, had retired to use the proceeds of that piracy in repeating their transactions in other directions. The railroad itself was in a deplorably bad shape, thoroughly disorganized, and very dangerous to travel on. It had little equipment and few stations or depots worth considering. This was the "splendid railroad system" that Sage and his clique were to build; this was the result of their "vast constructive ability!" How much Sage took out of the project in spoils we are unable to say; there is no record stating the sum either absolutely or approximately; it amounted, most certainly, to many millions of dollars.

With forfeiture of much of the possessions and many of the rights of the railroad in imminent danger, four men, who became noteworthy among the great capitalists of our time, stepped forward to get control of the St. Paul & Pacific system. These were James J. Hill, yclept the "Jay Gould of the Northwest," and three other Canadians, two of whom attained elevation to the British peerage. How they secured control, and what they did thereafter, forms a story not connected with the Sage fortune; it will be found in full in the chapter on the Hill fortune.

Meanwhile Sage had met Gould in Troy, and had removed to New York City. "The two men," wrote the effusive biographer heretofore quoted, "made an impression upon each other, which afterward deepened into a friendship famous in financial history." Famous or infamous whichever way you prefer to view it. A valuable working pair the twain made; Sage, crafty, somber and reclusive; Gould supplying the public audacity; both equal in inscrutable wiles and stratagems. The one overcautious, the other over-reckless, each counterbalancing the other. A prodigious respect Gould learned to entertain for Sage; the one associate whom Gould could not overreach or fleece was Sage.

Subsequently and appropriately enough, Sage hied himself to New York City early in the course of the Civil War. There, in Wall street, was the headquarters of many of the railroad corporations which had been, and were, bribing and plundering. The office of the LaCrosse and Milwaukee Railroad Company, for instance, was there; whoever might be the actual physical builders of the railroads, the owners were either Wall street men or kindred capitalists—men who by some species of fraud or manipulation had pushed themselves into control.

And there also in New York was the scene of the greatest activity in the current widespread despoilation; from there radiated the plans and plots which later resolved themselves into colossal swindles. Had the center of this deviltry been elsewhere, there Sage and all the others of the brood indubitably would have flown.

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[12] Minnesota Special Laws, 1878:344.

STOLEN MILLIONS LOANED IN USURY

A money lender on a great scale Sage became; he invented a special system of usury—the "put" and "call" system, the intricacies of which we shall not attempt to describe. Now could be seen what he was doing with the millions that he was extracting in Wisconsin and Minnesota.[13] Ordinarily he would loan money at high enough rates, but in times of panic and Wall street "squeezes" he demanded—and received—as much as two per cent. a day or sixty per cent. a month. Friends or enemies, it did not matter; all alike had to pay the enormous interest that he exacted if they desired a supply of ready money (which he always kept on hand) and thus save themselves from defaulting on contracts, and so going into bankruptcy. He was one of that eminent constellation of patriots who hoarded gold when it was most needed to carry on the Civil War, and refused to loan it except at the most incredibly extortionate rates.

At this time little attention was given in the East to railroad operations in the West; the newspapers were almost wholly filled with reports of events of the great Civil War. Few knew of the gigantic frauds that Sage was carrying on out in the Northwest; and when he suddenly became known as a multimillionaire, glowing accounts were published of him as a wonderful financier. This praise was always modified, of course, by derision of his extraordinary stinginess, and detestation of his hard qualities. But there were those who had been associated with him who smiled at the stories of his "wizard-like" performances in heaping up millions; they knew of what his attributed necromancy really consisted. The particulars of at least one more transaction in which he was engaged at this time are accessible, however much many of his other dealings are beyond historical reach.

THE PACIFIC MAIL SUBSIDY

One of the many corporations in which Sage became a large stockholder was the Pacific Mail Steamship Company. This corporation, as we have noted in the Vanderbilt chapters, long corrupted Congress to get predatory mail subsidies from the Government. By an additional act passed by Congress on February 17, 1865, it received another heavy Government subsidy for carrying the mails between San Francisco and Asia via Honolulu.

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[13] And also in Iowa, in the railroads in which State he was extensively concerned. The capitalists owning the Sioux City and St. Paul Railroad had caused it to be built in such a zigzag fashion that they could fraudulently grab even larger land grants than the accommodating acts of Congress intended. By edging this railroad in Osceola, Dickinson and O'Brien Counties, Iowa, this company made claim to 189,184.54 extra acres of public land in those counties, and prevailed upon the State officials to grant a patent. Sage, however, had become president of a railroad company called the McGregor Western, and had constructed his line through this very territory. He demanded a share of those 189,000 acres, and, upon refusal, sued the St. Paul and Pacific Railroad Company. The case finally came up in the United States Circuit Court in Iowa, on January 20, 1882, when Judge Love amiably decided, with fine judicial impartiality, that each of the two companies was entitled to an undivided half of the land in dispute.—Federal Reporter, x:435:450.

The booty was so rich that different factions of capitalists continually fought one another to get control of the company's treasury. We find from law suit records that in 1867 that fine, old, massively respectable banking firm of Brown Brothers & Company was one of the heaviest stockholders. In its own name, and acting for authorizing parties, it held 77,839 shares of a total of the Pacific Mail Steamship Company's 200,000 shares of capital stock.

Like the firm of Phelps, Dodge and Company, the banking firm of Brown Brothers & Company was preeminently reputed to be one of the "old-fashioned firms" of "strict integrity." To be sure, it officially knew nothing of the subsidy bribing incessantly going on; owners of enterprises must cultivate ignorance of such embarrassing details. And could it be, as William Swinton, a noted writer, charged in a pamphlet, that the "eminently respectable" Alexander Brown and his associates were (in our modern phraseology) grafting on the very company in which they were stockholders? Swinton charged that they held a controlling lien which amounted to ownership on boiler, iron and other factories which supplied the equipment of the Pacific Mail Steamship Company's line. A faction in December, 1867, was seeking hard to dislodge them, and they were successfully fighting back. A pretty mess it made in the courts.

Finding that Congress was as ever in the bargaining mood, the owners of this line opened fresh negotiations, and, with such brilliant success, that another act was passed in 1872 granting an additional mail subsidy of $500,000 a year for ten years. The subsidy plunder was now so much larger than before that the contest for its possession, or rather its handling, precipitated a still more violent row among its owners. With some ulterior end in view, Le Grand Lockwood, one of its stockholders, publicly charged that bribery had been used to get the act through Congress; Lockwood was certainly not prompted by moral motives; he had been a large beneficiary of the Credit Mobilier swindle. The House of Representatives took on a look of pained and injured surprise, bristled up with indignation, and on February 20, 1873, ordered the Ways and Means Committee to investigate.

Congress did not, of course, expect that the investigation would really disclose any damaging facts; it was sanguinely anticipated that the inquiry could easily be diverted to harmless channels. But the testimony given shattered these blithe expectations.

A MILLION DOLLARS IN BRIBES

The committee was not elated at the testimony; it found itself compelled to report that "a sum of nearly one million dollars appears to have been disbursed in some sort of connection with the passage of the act,"[14] and "that the results of the evidence are that $565,000 was paid out to lobbyists; the disposition of the remaining $335,000 remains in doubt upon the evidence presented."[15] Russell Sage was president of the Pacific Mail Steamship Company at this time; he was haled up to testify, which he did with a very aggrieved air. He denied having been connected with the company at the time that the subsidy was granted, and avowed that he knew nothing of the alleged bribery. If we are to accept his word that he was not concerned in the bribery—a doubtful acceptation, since in other matters he was a proved falsifier[16] then what he probably had done was to wait until after the $5,000,000 subsidy had been granted, and then had manipulated matters to get in control himself. No doubt he knew full well of the bribery, and it is a possible supposition that he had urged Lockwood to make the charges, in order to raise a public stew, and discredit and overthrow the clique in power.

At all events, whatever the ins and outs, there was the Pacific Mail Steamship Company with its large subsidies obtained by bribery, and Sage the head of it all in 1873. So far as the identity of bribers and bribed was concerned, the committee professed to know nothing. One lobbyist, Richard B. Irwin, testified that he had paid out $750,000 to "other persons,"[17] but who those persons were the committee said that it did not know; it had "exhausted every resource" in trying to find out, but in vain. As usual, it was the "unregulated lobby" which was to be blamed and which should be purged.

So much for Sage's career up to the time when he and Gould conjoined in the Union Pacific manipulation and other transactions. What they and other capitalists associated with them did in these operations will now be related.

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[14] House Report No. 269, Forty-third Congress, Second Session, 1874-75, ii:xvii. Henry Clews, that exalted banker and moralizer, was one of the directors during this period.

[15] Ibid., xviii.

[16] "A proved falsifier."—For years Sage swore that his taxable personal property did not exceed $2,000,000, and even this amount he sought to have reduced or wiped off the tax books. After his death the New York City Tax Department prepared to assess taxes on at least $50,000,000 personal property inherited by his widow, but the amount of assessment was greatly reduced when the executor of his will submitted an affidavit claiming that $10,000,000 of the Sage cash was invested in non-taxable securities.

[17] House Report, No. 269, etc., 1874-75, ii:123.

Chapter XV

The Gould Fortune Resumed

When haled in 1877 before that inquisitorial governmental body, the Pacific Railway Commission, Jay Gould vouchsafed little information; such as was elicited from him was of the most meager character. He said that he had become the owner of a controlling interest in the Union Pacific Railroad Company in 1873 by the purchase of one hundred thousand shares, and that these holdings were subsequently increased to two hundred thousand shares.[1] Sage testified that he himself had begun buying Union Pacific stock in 1868 or 1869.[2] As soon as the grasp of these men and their associates was assured, their industriousness began. Without any intermediate ceremony two hundred thousand shares of stock were forthwith issued, all certificates of nothing else than their self-arrogated power of present and future exploitation.

This manufacture, without any interference from law, of additional titles of ownership, was only one of their numerous and conterminous activities. Their most plastic and successful plan, by which they were enabled to compound loot on a most magnificent scale, was that of buying in, as individuals, various railroads, and then selling them at exorbitant prices to the Union Pacific Railroad Company, which corporatively they controlled. It was a plan which, although theoretically regarded in law as fraudulent, was nevertheless audaciously carried on with complete immunity.

A GREAT OPPORTUNITY FOR FRAUD

With its extraordinary opportunities for self-enrichment on a great scale, this plan was one commonly practiced by the puissant capitalists of the times. It had not by any means originated with Gould and Sage; other railroad capitalists had richly profited by it; so thoroughly has it commended itself as one of the simplest and most effective means of transferring wealth, that a long succession of magnates consecutively availed themselves of its use.

By this fraudulent process, incalculable sums of money, mounting into the hundreds of millions, were seized with facility. So pregnant with spoils was it that even the United States Industrial Commission of 1901, distinguished for its easy-going conventions and acquiescent attitude, could not forbear saying in its mild, deferential way of transactions in which buyer and seller were the same parties: "The possibilities of fraudulent profits are something enormous under such conditions. Formerly transactions of this kind were often effected by individuals who represented another person, or by families who were dominant influences in the directorate. . . . With the enormous increase both in number and magnitude of such transactions, the capital required now exceeds the actual investment capacity of any except a few great fortunes." [3]

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[1] Pacific Railway Commission, U. S. Senate Executive Documents, First Session, Fiftieth Congress, i:53 and 447.

[2] Ibid., 340.

Reduced to simple language this was authoritative confirmation of the truism that none but the mighty rich had the means to engage in a great campaign of plunder. Yet to focus attention upon the frauds of these particular capitalists, without inquiring into the good work which at bottom they were doing, would be grievously one-sided and misleading. Notwithstanding their prodigious frauds, Vanderbilt and Gould and all the other masterful capitalists were, without being conscious of it, performing a great evolutionary service of the highest importance. It was they who were among the leaders in consolidating and centralizing transportation and industrial utilities; in effacing the old wasteful competition and the warfare of the little capitalists; and in establishing an era of systematic, concentrated private control. It was done despite statutory law and judicial decisions, in spite of every obstacle, for it had to be done; it was an inevitable stage of progress preceding further stages. In doing it, however, the great barons were prompted by selfish greed only; they fixed their own price, a colossal price, taxing the producer to pay whatever toll they demanded.

THE PLUNDERING OF RAILROAD SYSTEMS

One of the railroads that Gould, Sage, Sidney Dillon [4] and their accessories bought as individuals, and then sold to themselves as directors of the Union Pacific, was the Kansas Pacific. This line, about three hundred and ninety-four miles in length, was another of the many railroads the history of which was replete with unbroken corruption. Its chief assets were an issue of Government bonds, and a land grant of three million acres in Kansas and Colorado.

From the very granting of the charter the corruption was so well established that none but the densely obtuse could be ignorant of it. But what mattered the means used? The greater the corruption, the more certainty was there that the ensuing privileges, powers and profits would be all the richer. And the more attractive the prospects, the more eager in their cupidity were the luminaries of the financial world to thrust in a hand. Eminent bankers sharply competed to participate in the financing of the project; the floating of the Kansas Pacific loan was finally awarded to two banking firms. One of these was Dabney, Morgan & Co., of which J. Pierpont Morgan was a member, and the other the house of Morris K. Jesup & Co., the head of which subsequently managed to become enrolled among the galaxy of glorified philanthropists.[5] In their advertisements in 1869 these bankers glowingly descanted upon the splendid land grant of the Kansas Pacific—a grant, which they assured all intending investors, would be more than sufficient security for loans.

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[3] Final Report of the Industrial Commission, 1902, xix:326-327.

[4] Dillon was the founder of an extensive fortune; his descendants ranked for a considerable time among the prominent railroad owners of the United States.

BLACKMAILING AND PILLAGE

But the usual culmination came. The Kansas and Pacific project was no exception to the invariable experience in railroad affairs. It was assiduously plundered by the men on top of the heap, and the following of petty investors were neatly cheated out. Obviously, stripped as it was, the market value of its stock sunk to an insignificant point. Gould had been waiting for precisely this opportunity, but he did not avail himself of it before he had put through a sort of blackmailing scheme by which he could all the more effectually force the Kansas Pacific into his ownership.

With a loquacity that ought to have aroused keen suspicion, he proclaimed his purpose to break down the monopoly held by the Kansas Pacific; once more he posed as a middle-class benefactor. Thereupon he began, or, rather, ordered, the building of a railroad in Colorado which trenched competitively upon part of the very territory the Kansas Pacific owners regarded as their own assured domain. Gould's scheme worked to perfection; Kansas Pacific stock was forced lower still, and its affrighted owners were speedily compelled to come to terms. No sooner had Gould obtained possession of the Kansas Pacific, and consolidated it with the Union Pacific, than he at once abandoned the Colorado Railroad.[6]

Just how much of Kansas Pacific Railroad stock Gould, Sage and Dillon respectively secured is not clear, but the amount of booty that they collectively took in by the fraudulent process of selling this railroad and other railroads to themselves as masters of the Union Pacific, is quite clear. No mean operation was it—something massive was there about it—such as might evoke a wondering admiration on the part of a society wherein great thefts were placed in an exalted category.

In the juggling exchange of stocks and bonds and the fraudulent diversion of funds, they pirated (the Government termed it "misappropriated") more than $20,000,000 in the Kansas Pacific, the Denver, South Park & Pacific, and other consolidations alone. From the volumes of the Pacific Railway Commission's report and investigation, certain definite facts are ascertainable. Both the majority report, that of Commissioners Littler and Anderson, and the minority report of Comsioner Pattison, set forth that the frauds of the Union Pacific Railroad Company, under the direction of Gould, Sage and Dillon, were truly gigantic.

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[5] His estate, after his death on January 22, 1908, was estimated at $12,814,894 in net personal and real estate. A large portion of the estate was in railroad securities.

[6] Pacific Railway Commission, i:175.

Millions of acres of public land were grabbed outright. Not less than seven million acres were sold without any patent from the Government.[7] Coal lands of inestimable value were fraudulently seized.[8] Millions of dollars were fraudulently shuffled from one corporation to another. The stock of the Union Pacific was inflated from $38,000,000 to $50,000,000, the bonded indebtedness from $88,000,000 to $126,000,000, and sundry other indebtedness from about $4,000,000 to nearly $10,000,000. The majority report referred "to the lavish and reckless distribution of the assets of the company in dividends" and expressed sharp curiosity as to why the Union Pacific Railroad Company, although doing a large and profitable business, "found itself early in 1884 on the verge of bankruptcy."

While these huge plunderings were going on, and after a Government action for "misappropriation of assets" had been begun, Gould and his accomplices took steps to grant themselves immunity from legal consequences. "It appears," says the majority report, "that, while this litigation was pending, certain proceedings were taken by the directors whereby by their own acts and votes they undertook to release themselves from any obligations or liabilities to the company."

FORTY MILLION DOLLARS GOULD'S SHARE

The minority report was even severer and more searching. It set forth that the Union Pacific and the Kansas Pacific had received about $35,000,000 in advances from the Government, little of which had been paid back, and that up to 1887 the sum of $136,314,010.73 "had been dissipated" by the directors of these two railroads.[9] Fully $84,000,000 of watered stock had been issued. "The Union Pacific Company," the minority report went on, "has received $176,294,793.53 in surplus earnings and land sales during eighteen years, and if its stock had been fully paid, as Congress required that it should be, and as its officers certified under oath that it was, nearly all of that money would be applicable today to the payment of the Government debt. The company has paid out $28,650,770 in dividends, and $82,742,850 in interest on bonds, nearly all of which was distributed to shareholders without consideration. It has sunk over $10,000,000 in Denver, South Park & Pacific; it paid out $10,000,000 to Jay Gould and his associates for branch lines and other investments which were worthless." . . . Commissioner Pattison estimated that Jay Gould's personal profit from his manipulation of the Union Pacific amounted to probably $40,000,000.[10]

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[7] Pacific Railway Commission, i:192.

[8] Ibid.

[9] Pacific Railway Commission, i:147. The Government subsequently compelled the Union Pacific to make a sort of settlement.

A large part of the sum that Pattison included in his estimate of the total loot from the origin of the Union Pacific Railroad was, as we have seen, taken by Gould's predecessors in the Credit Mobilier swindle.

Inasmuch as technical financial terms often present mystifying difficulties to the unaccustomed, a definition of stocks and bonds may not here be out of place; the more appropriately so since it will explain how the manipulators of railroad and other property constituted themselves both shareholders and creditors.

If they desired a railroad to be on a paying basis, they, as stockholders, took its dividends; if it suited their ulterior purposes to bankrupt it, they, as bondholders, could foreclose and buy it back at a bargain price. In the phrase of the street, they could "play both ends against the middle." Bonds and stocks, although both classed as capital, differ in certain salient respects. Bonds are certificates of indebtedness theoretically issued to those who have made loans to a corporation, and can be effaced upon payment of the principal. Stocks, on the other hand, are certificates of ownership theoretically issued to investors; by their nature they are in law perpetual. In brief, then, the stockholders are the owners of a corporation; the bondholders its creditors.

THE FARCE OF THE COURTS

The query can here naturally be expected: Why was Gould not prosecuted for his malefactions? How was it possible for him to have carried through his immense lootings without some visitation of criminal proceedings? So long as he robbed the people, the great plodding, powerless multitude, without any real representation in political office, it could be understood that his license would in nowise be interfered with, seeing that all law was at the command of the rich freebooters. But Gould plundered his own class as well; outraged, betrayed and pillaged his own associates; they were men of power; why did not they invoke the terrors of criminal law?

Well, some of them did. But it profited them no more than it did his opponents in his famous Erie steals. Threatened with jail several times, Gould easily contrived to keep out of it, as did his similars in every great capitalist fraud. An indictment found against him on May 13, 1879, by the Grand Jury of Monmouth County, New Jersey, for alleged fraudulent transactions, did not trouble him in the least. The charge in this case was made by the Lehigh Car Manufacturing Company that it had supplied cars to him on false representations; that it had agreed to accept as payment first-mortgage bonds of the New Jersey Central Railroad, only to discover, when too late, that these bonds were spurious "consolidation bonds" representing a consolidation that was never made.

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[10] Ibid., i:150.

Out of this indictment Gould somehow wriggled, and nine years later he was as successful in snuffing out another case of criminal proceedings.

This was in 1888; powerful adversaries sought hard to put him in prison; and it was the knowledge of their power and persistence that thoroughly alarmed Gould.

Certain of these opponents were disgruntled bondholders of the Denver Pacific Railroad, and they were assisted by the owner of an important New York newspaper whose interests Gould had crossed and thwarted in the telegraph and submarine cable field. The charge revolved around a tricky piece of perjury by which Gould, Sage and Dillon, in their railroad consolidations, had been the beneficiaries several million dollars in the juggling of thirty thousand shares of Denver Pacific stock. These bondholders had begun an action against Gould and Sage in New York, in 1885, for restitution; the newspaper owner daily emitted savage maledictory broadsides against Gould, and demanded his punishment. And to cap it all, the foreman of the Grand Jury sitting was a fellow capitalist, whom Gould had cheated fifteen years before in one of his railroad transactions.

It was a formidable combination arrayed against him. Gould knew it. He realized at once that he had better settle with the complaining bondholders and light out and with dispatch; he thereupon came to terms with them, and then fled on his yacht and remained in foreign parts until the statute of limitations could be pleaded with success in his behalf, so far as criminal proceedings were concerned.

A WIDE TRAIL OF CORRUPTION

Still another question, although an idle one, may arise: How was Gould able to get the laws necessary for his numerous frauds, and immunity from legislative and other official action? The Pacific Railway Commissioners' report did not answer this question elucidatively. The minority report, however, shed a few more rays upon his methods. "Hundreds of thousands of dollars," it stated, "have been disbursed at the State and National capitals for the purpose of influencing legislation." [11] Frequent references are made to "payments for improper purposes." However, even if the commission had not explained in its meager, grudging way the corruption following Gould everywhere, it could be taken for granted; his trail of bribery and fraud had been a public stench for full twenty years, in which respect he differed much from most contemporary wealth-seekers, for whereas he acquired both name and game they, too, had the game, yet so cunningly was it bagged that they were able to slip into the cover of good repute. Also, let this fact not be overlooked: that the widespread bribery was but a form of procuring license to prey at pleasure. To get laws sanctioning theft, and official connivance at the retention of the proceeds, it was necessary to divide among the politicians (including some of those on the bench) a certain portion of the spoils.

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[11] Pacific Railway Commission, i:192.

By about the year 1883 Gould discarded the Union Pacific after having, as he believed, looted the marrow out of it. Doubtless his conclusion was aright, seeing that no further immediate booty was in sight in that particular line and at that day. But in the fullness of time, namely, fifteen years later, when the country's population and resources had greatly expanded, a worthy successor, in the person of Edward H. Harriman, came irresistibly along to imitate and elaborate some of Gould's methods. One more addendum is needed to give a kind of finishing touch to the tale of the Kansas Pacific Railroad, if only to show that others knew how to begin where Gould left off.

The $40,000,000 or thereabouts in loot which Gould appropriated came in considerable part from the Kansas Pacific transaction. The final swindling of the Government out of much of the advances that it had given for this road, occurred in 1898—at the precise time when Harriman was bursting brilliantly into wealth and power.

The Government held a remaining claim against the Kansas Pacific for $13,000,000. A fraudulent plan had been concocted to have the Government sell its lien at one-half of the amount due; a most deftly preconceived plan it was, and only on the eve of its consummation was there any noise raised. Senator Turpie offered a motion in the United States Senate that the sale be not confirmed; supporting that motion, Senator Allen rose on February 16, 1898, and remarked that "we might as well enact a statute taking $6,700,000 out of the Treasury and make an absolute donation of it. It would be no more criminal, no more in violation of the statutory rights of the people." [12] Senator Morgan, of Alabama, denounced the sale as robbery, Senator Harris called it a swindle, and its promoters thieves. Robust language, but it did not interfere with the hasty sale for $6,000,000 of the Government's lien on that very same day.

VAST AREAS OF COAL FIELDS STOLEN

To form any adequate conception of Gould's thefts in his manipulation and management of the Union Pacific consolidation, a mere money computation falls flat. The resources expropriated by Gould could not be expressed in exact money terms. For example, the enormous coal deposits expropriated from the people—who could say what their exact money value was? The Interstate Commerce Commission announced that practically the entire coal supply of Oklahoma, Utah and Wyoming was owned and monopolized by the Gould railway system, principally by the Denver and Rio Grande Railroad, which was one of a number of Western railroad lines that Gould held onto and bequeathed to his children.

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[12] The Congressional Record, Fifty-fifth Congress, Second Session, Vol. iii, Part II:1761.

How was the ownership of these extensive coal fields obtained? Here we do not have to encounter any intricacies of stock and bond finance; they were simply seized with just enough formalities to give some color of complying with the law. Behind these thin formalities lay a long path of "fraud, perjury and violence," stated the Interstate Commerce Commission's report of 1908. In commonplace official diction the story of the seizure of these deposits was there told; how for forty years or more the Gould and other railroad corporations employed dummy "occupiers" —mainly women—to file fictitious entries on public coal lands, and then have had the claims transferred. An inexpensive method it was, ridiculously easy to get much for little; the dummy "occupiers" were paid $50 or $100 each to do their fraudulent work. And if a coal or an oil deposit could not be obtained by fraud, then—if the numerous testimony taken by the Interstate Commerce Commission was correct—force was used to oust such individual occupants as had lawfully acquired the land.[13]

The Interstate Commerce Commission reported that the Gould and Harriman lines in a large region beyond the Mississippi "absolutely dominate the mining, transportation and selling of coal along their lines." Uncounted paragraphs and strings of affidavits, all embodied in the official volumes, sustained the charges of fraud, perjury and violence. Yet the beneficiaries of those colossal frauds had good reason to smile amusedly at all such futile investigations; the ownership of most of the property, however procured, was theirs; some the Government succeeded in getting back, but proportionately little.

Let it not be supposed that Gould's mind was so preoccupied with his Union Pacific piracies that he was oblivious to opportunities elsewhere. Far from it. This undersized man, with his mild voice and inconspicuous, almost effeminate, personality, was, indeed, an irrepressible conquerer, seizing and pillaging not merely wherever he went, but in many places and in different fields simultaneously. In his own chosen method of warfare, his mind was an extraordinarily versatile one, wonderfully gifted at computation, with the virile ability to keep track of a vast variety of involved transactions at the same time. With the law end of them he did not have to concern himself; at call he could always hire a corps of the most dexterous attorneys, none of whom scrupled to take as payment a fraction of his booty. Lawyers, some of whom became judges in the highest courts in the country, and other lawyers who had been judges and had resigned to draw large retainers from the very corporations in whose favor they had handed down decisions, pleaded and plotted for Gould. An excellent client he was; the litigations in which he was involved were extensive.

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[13] One of the capitalists connected with Gould and Sage was David H. Moffatt, Jr. Moffatt was an official of the Denver Pacific Railway and Telegraph Company, and was associated with Gould and Sage in the Union Pacific Railroad. He became one of the foremost millionaires in Colorado. Some of his methods were revealed in a case before the Supreme Court of the United States. The Government had brought suit to cause the cancellation of two patents of land in Colorado, granted about ten years before, in 1873. This land was partly a valuable mineral tract, containing large deposits of coal and iron. The Government won its case in the lower courts, and Moffatt appealed. In its decision the Supreme Court held that Government land officials had conspired to defraud the Government; that patents of land were made out in fictitious names of alleged settlers; that the affidavits were forged, and that Moffatt was the real beneficiary and "knew of the false and fraudulent character of alleged prëmptions." (United States Reports, Vol. cxii: 24-32.) In this particular case, Moffatt was defeated, but it is very likely that he was successful in similar instances of acquiring mineral lands.

GOULD'S TEXAS PACIFIC UNDERTAKING

Wherever he appeared, the lesser frauds were overwhelmed and flung out and he, the great fraud, substituted himself in their places. This he again demonstrated in his appropriation and looting of the Texas Pacific Railroad. This line had received the usual Government subsidies and land-grant gratuities. The corruption used in the procuring of these was fully revealed in the celebrated "Huntington letters," which came to light later in a suit arising between two railroad factions. The writer of these letters was a man who knew; a preëminent corrupter himself; he was none other than Collis P. Huntington, one of the dictating railroad magnates of the period. In 1876, 1877 and 1878, the years covered by his letters, a furious competition in corruption was in progress at Washington, and Huntington wrote unreservedly of it.[14]

After Congress passed the Texas Pacific Railroad Act, Gould turned up with a scheme closely resembling the Credit Mobilier swindle. Forming a construction company, he entered into a contract with the Texas Pacific Railroad Company to build the westward extension, embracing about six hundred miles. For this work $12,000,000 in bonds was to be paid, and a stock bonus of another $12,000,000. A very remarkable contract it was, tantamount to giving Gould a present of the system; its execution could be explained only upon the premise that Gould had bought up a sufficient number of the railroad directors, with an assurance that they would get a generous dip into the plunder. For by the terms of the contract, the stockholders of the Texas Pacific owned a one-sixth interest only in the construction company; this left the Gould syndicate with $10,000,000 in stock, which easily sufficed to give it the mastery of the road. It placed him in a position where he could elect its directors, make further contracts with himself on any basis he chose, manipulate its affairs, and, in general, make them dovetail with his many other schemes.

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[14] In a letter dated December 17, 1877, Huntington wrote: "Jay Gould went to Washington about two weeks since, and I know saw Mitchell, Senator from Oregon. Since which time money has been used very freely in Washington. . . . Gould has large amounts in cash and he pays it without stint to carry his points." In a letter dated May 3, 1878, Huntington wrote that the Texas and Pacific "folks offered one member of Congress $1,000 cash down, $5,000 when the bill passed and $10,000 of the bonds" if he would vote for the bill, etc., etc.

MORE RAILROAD SYSTEMS GATHERED IN

The Texas Pacific was one of the four main lines that Gould and Sage obtained control of by their well-known methods. These it is scarcely necessary to recapitulate. Another of their lines was the Wabash, composed of sixty-eight originally separate little railroads in Ohio, Michigan, Indiana, Illinois, Missouri and Iowa. Within five years of the time they gained hold of the Wabash, Gould and Sage had obtained a great series of privileges from various States, looted the railroad of millions of dollars, and then had thrown it into bankruptcy.[15] So nauseatingly fraudulent were their methods, that Judge Gresham, of the United States Circuit Court—one of the few judges of independent character—removed receivers whom Gould and Sage had caused to be appointed, and accompanied this act with a caustic denunciation; all of which had no effect upon Gould's ownership; he retained its control and it descended to his family.

Each new haul gave Gould and Sage a still greater supply of resources with which to manipulate other railroads and other public utility systems into their control. The Missouri Pacific, with its chain of railroads for the building of which the State of Missouri had advanced $25,000,000, was next added to the list. It suited the plan of Gould and Sage not to drive this railroad into bankruptcy as they had the others. In this instance they had a special design. By diverting freight traffic at the expense of their other railroads, they so increased its "earnings" that its stock commanded a high value; the selling of the stock at the apex price yielded them large sums. Then they would depreciate the value of the stock and buy it back.

All of these various systems were annexed by Gould in approximately the same years that he was plundering the Union Pacific. Shall we enter into a recital of the network of details by which the final result was accomplished? The maneuvering, the coercion here, the bribery there, the undermining of this faction of capitalists, and the overthrow of that, the legal devices and long-drawn law suits—all these form a complex narrative which, if copiously described, would be confusing and wearisome. But the battering methods Gould used in getting hold of other properties are worth an outline, showing as they do, the manner in which the railroad and industrial kings fought out their wars.

VANDERBILT BLACKMAILED AND OUTGENERALED

In looking about for new properties to add to their possessions, Gould and Sage, when sacking the Union Pacific Railroad, decided that the Western Union Telegraph system should be theirs. Any other set of capitalists would have hesitated long before venturing such a plan, for that company, the strongest of all the telegraph companies, was controlled by William H. Vanderbilt, the richest capitalist in the United States. Gould and Sage were not to be deterred by the prospect; they had a plan by which they could force out Vanderbilt; it was none other than the species of blackmailing scheme which they had used to coerce the Kansas Pacific directors, a scheme which Vanderbilt himself had employed, and which competing capitalists had used against him.

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[15] A detailed account of this wrecking transaction appeared in the "North American Review," issue of February, 1888.

This oft-used scheme of the day was the very simple one of building a competitive telegraph line. Again Gould came forward with the posture of being an "antagonist of monopolies"; sweetly did he discourse on the necessity of complete competition. It was at this time that Senator Vest minted his trenchant comment upon the professions of the money seekers, "When they speak they lie; when they are silent they are stealing," an epigram deserving of perpetuation.

Along the line of the Union Pacific Railroad and of their other railroads, Gould and Sage ordered the construction of a telegraph line, with the fixed purpose of compelling Vanderbilt either to buy or to sell. So seriously was the business of the Western Union Telegraph Company cut in upon, that, in self-protection, it was finally forced to buy Gould's competing line for about, it was understood, $10,000,000. Having pocketed this large sum wrenched from Vanderbilt and his associates, Gould then plunged in and took away their entire telegraph system. By every trick and art of Stock Exchange speculative methods, Gould forced down the price of Western Union stock, and gradually bought in quantities. To Vanderbilt's complete surprise and extreme mortification, Gould turned up in 1881 not only with a control of the Western Union, but also of the American Union Telegraph Company which he had sold to Vanderbilt but a short time previously.

THE MONEY ARISTOCRACY AND GOULD

Upon obtaining control of the Western Union Telegraph Company, Gould immediately increased its stock and kept on increasing it. Triumphant, gorged with spoils and power, Gould did not have to court the support of all that was considered solid and respectable among the money aristocracy. They knew him to be a great freebooter, and he knew their caliber, despite the exterior that they had woven about themselves. The instinct of kind for kind is unerring; which instinct in a money world is reinforced by that invariable principle of action whereby wealth-seekers rally around him who proves his supreme ability to get away with the plunder. The vanquished are expeditiously deserted; the successful flocked about. Such fellow kings of wealth as John Jacob Astor, J. Pierpont Morgan, Collis P. Huntington and others were among the noble array to be found in Gould's board of directors; a notable lot many, or all, of whom had pursued careers more or less paralleling Gould's; a sophisticated confraternity they comprised, fully and finely capable of understanding one another.

All were wary old stagers; Gould could not easily overreach them;

while all of them were not quite as astute as Sage, most were widely schooled in every devious tactic and ruse of financial and industrial warfare. Their safety lay in their lack of trust; the very reverse of the virtues they preached was developed by the necessities of their conflict. But when a credulous man, such as Cyrus W. Field, the originator of the submarine cable, stepped along with his confiding faith in Gould's friendship, spoliation and ruin were easy accomplishments. Field was simple enough to believe in Gould; only after Gould had mercilessly squeezed his wealth out of him, and had turned him adrift a bankrupt, did Field, too late, begin to realize that friendship had no place in the competitive whirligig. Field had little reason to whine over his misfortunes; the wealth that Gould tore from him was the product of a series of frauds in the results of which he was very willing to share.

GOULD SWEEPS IN ELEVATED RAILROADS

This fleecing of Field happened in Gould's thimble-rigging of elevated railroad stocks in New York City. No part whatever had Gould in the building of this elevated system; the franchises by which the roads were constructed and operated had been obtained by bribery. After other capitalists had done the bribing and had shown how profitable these elevated railroads were, Gould and Sage reached out for their ownership.

It was fairly well established before the Hepburn Legislative committee, in 1879, that about $650,000 had been expended in bribes to get the charter of one of these elevated companies, the Gilbert, later called the Metropolitan. Under examination, Jose F. Navarro, one of the officials of the company, testified that up to the time the building of this railroad was started, $650,000 had been spent. Questioned as to whether it had been expended at New York or at Albany (the seat of the Legislature) he replied that he did not know. It was quite clear from the interrogatories and answers that this $650,000 had been used as a corruption fund.[16] Probably a similar sum had been used to get the franchise of the other elevated railroad, the New York.

The old device, so familiar in railroad building, of organizing a construction company, was employed in the building of the elevated railroads. A company called the New York Loan and Improvement Company was brought forth to carry on the work of construction. The same men were directors of both construction company and elevated railroad companies, and made contracts with themselves.[17] Such capitalists and

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[16] Railroad Investigation of the State of New York, 1879, v:43. These franchises originated during the period of the Tweed regime. The New York Legislature was then being frequently corrupted. When the franchise for the Bleecker street and Fulton Ferry surface line, New York City, was obtained, $434,000 of its bonds were distributed gratuitously. (See "The History of Public Franchises in New York City, p. 121.)

[17] Railroad Investigation of the State of New York, v:12.

"philanthropists" as George M. Pullman, John S. Kennedy[18] and others profited heavily from these transactions; they were, at the same time, reaping wealth elsewhere by many other methods of the same character.

After the first two elevated railroads were built, a new scheme of plunder was conceived and carried out. A company called the Manhattan was chartered with a capital of $2,000,000, ostensibly to build elevated railways. But it did not build a single foot; the same clique in control of the New York Loan & Improvement Company turned up in control of the Manhattan, and they leased the two existing roads to the Manhattan. Little actual cash did this lease cost them; they illegally increased the Manhattan's capital stock from $2,000,000 to $13,000,000, which amount they divided as loot.[19] By stockjogging methods Gould and Sage then crushed out most of the small stockholders, and secured control. They proceeded to water the stock still more, consolidate the whole system, and crowd out the more powerful stockholders.

FIELD THROWN OUT

Certain of the heavy stockholders, such as Field, stood in with Gould and Sage, but others bitterly fought the various fraudulent moves and expedients that Gould and Sage brought into play. The outcome of the ensuing legal contest could be forecasted. Gould seldom went into court without owning his judge. The judicial tool this time was Westbrook of the New York Supreme Court; when Gould had started out in his career of theft, Westbrook had been his first lawyer. Now as judge, Westbrook issued orders and injunctions backing up Gould's and Sage's fraudulent acts. His subservience was so notorious that he once held court in Gould's private office in the Western Union Telegraph Company's office and issued an injunction.[20]

After becoming absolute masters of the elevated railway systems in New York City Gould and Sage no longer had any use for Field. At the first opportunity the stock market was rigged to divest Field, and he was thrown out to linger and die a ruined man.

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[18] Of Pullman some facts have been brought out. Another example of his methods and standards at about this time may be instructive. After Jacob Sharp had bribed the New York City Board of Aldermen with $500,000 in cash, in 1884, to give Sharp a franchise for a surface railway on Broadway, the owners of the franchise issued $952,000 in stock and $2,500,000 in bonds for the construction of a railway only three miles in length, and the real cost of which was only $160,000. These bonds were unlawfully and dishonestly issued. Pullman knew that fact, and also of the bribery. In exchange for cars supplied by him, he received $150,000 of these bonds at fifty cents on the dollar.—See report of, and testimony before, the New York Senate Investigating Committee, "Senate Committee—Broadway Railroad, 1886" :181.

[19] Railroad Investigation of the State of New York, 1879, v:6 and 7.

[20] The New York State Assembly later impeached Judge Westbrook for malfeasance in office; but from the Senate, as trial body, he managed to get a verdict of acquittal.

Chapter XVI

THE SEQUENCE OF THE GOULD FORTUNE

WHAT was the concrete result, the grand culmination of Gould's fifteen years of plundering? He, himself, gave a demonstration when on March 13, 1882, he called in Sage and other associates and exhibited to them a box crammed with securities. Disparaging reports had been scattered in Wall street that he had been hard hit by recent declines in the stock market; and it was to belie these statements that he summoned in witnesses to attest by impressive proofs that his wealth and power were unaffected. He spread out $23,000,000 of Western Union stock; $12,000,000 of Missouri Pacific stock, and $19,000,000 of other stocks. "There is not another man in America except Vanderbilt," observed Sage, "who could make such a display of stock as that." But the securities thus revealed were only a part of Gould's wealth; they did not include many other varieties. Two years later he ostentatiously made another and still larger display.

Those heaps of stocks and bonds were the legal tokens of this one man's far-reaching power. By their ownership he was vested not only with the mastery of the great inflowing revenues from numerous corporations, but the autocratic control over a vast army of wage workers. Every dollar of his fortune had been extracted by deceit, bribery, fraud and theft, yet here he was, one of the dominating magnates of the country, the owner of a ramification of properties, the dictator of the fate of tens of thousands of workingmen. Behind him, as an impregnable fortification, stood the Law, guaranteeing him the possession of that which he had seized by theft.

WARRED ON CAPITALIST AND WORKER ALIKE

But a few years back and Gould was buying law to escape law; and now here he was unbranded with the prison stigma, thanks to his money, and lording it over the nation. But ever there clung to him that same crass, indiscriminate brutality of method in dealing both with the powerful and the weak; just as he struck hard at competing capitalists, without timidity or mercy, so did he openly and candidly browbeat and terrorize his legions of workingmen. Of him it could not be said that he shrank from assailing the strong, while overawing the feeble. He warred on both capitalist and on labor, organized and unorganized, and did so with equal ferocity whether by involution or frontal onslaught. Gould was not the politic sort of magnate who cut the pay of his workingmen, and then, as a solace, presented them with a toy philanthropy; he did not polish greed with hypocrisy. When he reduced the pay of the workers on his lines, he did it with a bold aggressiveness, daring them to challenge his power.

Few magnates, while in the very process of putting through some colossal fraud, had the hardihood to incite the resentment of their employees and of the people. They preferred to wait until the agitation over their individual frauds had been tempered by a certain lapse of time. Such a cautious policy on no occasion hindered Gould. During the very times when he was defrauding and bribing, he belligerently attacked his workers and compelled them to accept lower wages. What if a public outcry should go up? He had been menaced with many outbursts of fierce, withal futile, public indignation; they had not interfered with his accumulations; he viewed them with a cynical scorn.

In 1881 he and his clique were loaded down with spoils; the people had grown exceedingly restless, stung by their poverty, on the one hand, and contemplating the gigantic wealth of the capitalists on the other. Gould went ahead as if public protest were as nothing. He added, as we have seen, $13,000,000 of watered stock to the capital of the elevated railroads in New York city, and at the same time forced the agents and gatemen on those roads to submit to new terms. They had been complaining that they had to work from twelve to fifteen hours a day for the wretched pittance of $2 and $1.75 a day. Gould listened to their grievances, and conciliated them with an order reducing their day's work to twelve hours. But their visions of scanty triumph vanished when they learned that he had also cut their pay.

At the very time that he was looting the railroads in the West, he reduced the wages of the men on the Missouri Pacific and defied the labor unions, causing great strikes in 1885 and 1886, by which, however, his railroad workers gained virtually nothing. Most typical of the servility of many newspapers and politicians were the abuse and obloquy with which the labor leaders who conducted those strikes were overwhelmed. Let a man champion the cause of the oppressed, and no matter how lofty his ideals or noble his nature, he was at once subjected to an endless stream of ridicule and traducing. The servitors of the public press and the retainers of politics joined in a vicious persecution; Martin Irons, who managed the Missouri Pacific strike, was defamed, hounded and blacklisted. It was pitiful to see this man, one of the purest, best and self-sacrificing, precariously compelled in after years to sell peanuts for a living; and he now lies in an obscure grave, quite forgotten, while the remains of Gould repose in a spacious mausoleum.

REWARDED WITH POWER AND SPLENDOR

At forty-five years of age Gould possessed more than a hundred million dollars. He was prematurely old; his beard was streaked with gray, his hair thin, and his swarthy, bilious, glowering face was rigid with hard, deep lines. His form had shrunk so that he looked more insignificant than ever before. But when he traveled, no one could mistake the evidences of sovereign power. From one end of the country to the other he rode in a palatial private car, handsomely appointed, containing every comfort and luxury then devised—an observation room, a parlor, a dining hall, sleeping rooms, a kitchen and porter's quarters. His yacht, Atalanta, was sumptuous, indeed. His manner of life befitted that of a full-blown magnate. At Irvington-on-the-Hudson he sequestered himself in a great and costly mansion, surrounded by five hundred acres. Attached to it was one of the finest conservatories in the world. His city residence in New York City was a massive, somber brownstone house at the northeast corner of Fifth avenue and Forty-seventh street, in the very heart of what was then the aristocratic section. That mansion, in 1936, was still there, although its somber brownstone exterior was much frayed.

He, however, had other mighty powers not evidenced in outward display. For some years he owned a newspaper, the New York "World"; a curious sight it was to see one of the great pirates, who many a time had narrowly escaped prison, instructing the public as to its duty, moral, political and otherwise. But the known fact that Gould owned this newspaper helped to discount its utterances and reduce its circulation.[1]

A much more successful and insidious method of influencing public opinion was by his control of the Western Union Telegraph Company, and, through that corporation, of the Associated Press, the foremost news distributing agency in the United States. Distorted, misleading or false news dispatches were manufactured or artfully colored and supplied to the public press. These not only gave Gould superior underhand facilities for influencing the course of the stock market, but they were also used in favor of capitalists and against labor and radical movements at every opportunity. The public was fed on grossly perverted news accounts of strikes and labor and political movements; upon this fabricated news the newspaper owners, themselves capitalists or largely servile to capital, based hostile if not malevolent editorials; and the combination of the whole was used to prejudice the mass of the public against any movement or agitation threatening the complete sway of capital.

JAY GOULD'S DEATH

Jay Gould's last years were divided between the tortures of severe indigestion and insomnia. Up and down the block fronting his New York

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[1] But when Gould sold the "World" to Joseph Pulitzer, that newspaper became one of the bitterest denouncers of Gould, probably with a view to disassociating itself as much as possible in the public mind from the fact of Gould's former ownership.

City mansion he would nervously pace for hours during the long, shadowy vigils of the night—a little, shrunken, cankered man vainly endeavoring to tire his mind and frame into an exhaustion compelling sleep. He died on the morning of December 2, 1892, and his body was interred in a classic mausoleum, costing $110,000, in Woodlawn Cemetery. Many multimillionaires, whose ways and station were akin to Gould's, and some of whose careers were interwoven with his, showed up at the funeral services. Russell Sage was there, and J. Pierpont Morgan and Collis P. Huntington and a group of others—an impressive procession of money lords with appropriate visages and attired in the immaculate garb of mourning, although not a soul really mourned Gould save his own family. His will disclosed an estate of nominally $77,000,000, but this was merely the exoteric side of the testamentary document; the estate amounted to far more. All was bequeathed in trust for his six children—four sons and two daughters. Unlike the Astors and some other magnates, Gould did not transmit the bulk of his wealth to his eldest son.

Now, when Jay Gould died, many newspaper-owning scavengers, who during his lifetime had bootlicked him or kept fearfully silent, belched forth vituperation and rehearsed his odious deeds.

Their misrepresentations consisted not in exaggerating his evil—that were not possible—but in singling him out as an exceptional defrauder, and in detaching him from the system which produced him and which alone could be held responsible.

Gould passed away the most hated man in the United States. Social ambitions had never concerned him, but his children developed the yearning for recognition. At every step, at first, there came an outrush of the old taunt that their father's fortune had come from pillage and wrecking. Yet all of the founders of fortunes were, without a single exception, of a stripe; all had tricked, lied, deceived, bribed, defrauded and stolen.

With hundreds of millions of dollars, however, at their command the Goulds were able to overcome all social obstacles. When one has money enough an elect social position does not have to be accorded; it can be taken by assault. One of the easiest routes is by buying an entrée into the caste of European titled nobility, which in these business times has long done, as we have said, a lively trade huckstering names for cash. Accordingly, in 1895 Anna Gould, one of Jay's daughters, was transformed into the Countess de Castellane, and the Count received the opportunity of requisitioning many of the Gould millions. During the next eleven years he right jovially availed himself of it, and squandered millions with a fine prodigality. Castellane conceived the idea of building the prettiest palace in Paris for himself and his American bride. Taking as his model the Trianon of Marie Antoinette and Louis XVI at Versailles, he caused to be erected on the angle of two avenues a pink marble structure filled with the most expensive fittings. From its ceilings hung heavy chandeliers profuse with rock crystal, and the gorgeous light from these often illuminated elaborate banquets; Castellane spent thousands of dollars for the floral decorations alone. In ten years, it was reported, he spent $5,500,500 of his wife's money. She divorced him in 1906, and married his cousin, Marquis de Talleyrand-Perigord, Duc de Sagan.

THE STRUGGLE FOR SURVIVAL

To lay too much stress upon the social aspirations and doings of the Gould family would obscure the titanic industrial conflict in which they became engaged. After Jay Gould's death the wealth and possessions of the family remained intact for some years, so great was the impetus of the original acquisitions.[2] But although George J. Gould had the ambition to extend his railroad to power, he soon found himself in conflict with forces more powerful and more capable in strategy. One of George J. Gould's aggressive efforts was his contest with the Pennsylvania Railroad in 1902.

This warfare arose over Gould's project to extend the Wabash Railroad to the Atlantic seaboard. The Pennsylvania Railroad promptly objected to a competitor in its richly profitable territory. The ensuing struggle was fought out in legislatures, common councils, courts, Congress, and by actual physical force. So completely had the Pennsylvania Railroad magnates ruled that State for fifty years that it did require considerable temerity on George J. Gould's part to war upon them.[3]

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[2] Many of the large properties of which they became owners, or partial owners, had a broad foundation of fraud. While neither Jay Gould nor his children committed these particular frauds, yet they benefited by the original frauds. The Colorado Coal and Iron Company is a case in instance of how frauds were then lightly viewed by the courts. In a suit brought in 1897 to vacate the land title of this company, the Government charged that the company's coal and mineral lands had been obtained by conspiracy and fraud. The lower courts sustained the Government, but the Supreme Court of the United States decided that although undoubtedly fraud had been used, yet the proof presented was not sufficient for an adverse decision.—Supreme Court Reporter, viii:131-141.

[3] As an instance of the exercise of the Pennsylvania Railroad's great political power, the following account is significant. It shows how Cassatt, president of that railroad, and a few other industrial magnates and political bosses, decided that Philander Knox should be chosen a United States Senator. Knox was long a corporation lawyer. The Governor of Pennsylvania was ordered to ratify the choice of this group of political dictators, and did so. This account was published editorially in "Collier's Weekly," issue of June 8, 1907, and republished in the same periodical, issue of November 27, 1909. Its accuracy was not disputed, and no denials were made, or suits for libel brought. The account read:

"Mr. Knox's political genesis had for its setting the general offices of the Pennsylvania Railroad in Philadelphia. There met, to name a successor for the recently deceased Quay, Senator Penrose, Henry C. Frick, 'Iz' Durham, the Philadelphia boss, who was then at the height of his power, and the late President Cassatt. Between the politicians and the two men of business a *modus* was arranged. Knox should be Senator. . . . Then the party adjourned to dinner at President Cassatt's house. To this was invited Governor Pennypacker, who had the appointing. While the rest fingered the walnuts, Penrose invited the Governor into the back yard to look at

One of the most marked instances showing the extremes that the Pennsylvania Railroad magnates went in their rule, was the Riot Indemnity bill which they attempted in 1879 to get the Legislature of that State to pass. It is advisable to present a sketch of the circumstances of this bill, inasmuch as it gives a good idea of the methods of A. J. Cassatt, long the president of the Pennsylvania Railroad. It was Cassatt whom George Gould had to fight in 1902; the methods Cassatt used in 1879 were the methods he invariably used. With all his unscrupulousness Jay Gould never had the face to do anything approaching in enormity the Riot Indemnity bill of Cassatt. Yet when Cassatt died the most lavish eulogies were everywhere published; he passed away in the full attributes of superior respectability.

SELF-INFLICTED ARSON AND A $4,000,000 GRAB

We have seen, in an earlier chapter, how the Pennsylvania Railroad's officials, during the great strike of 1877, ordered their agents to set a number of worthless freight cars at Pittsburgh on fire, in order to charge the strikes with being riotous, and so have a pretext for calling out the military.

That very crime of arson these magnates, two years later, made the basis for an attempt at plundering the people out of $4,000,000 at one grab. In the whole industrial history of the country no avowedly bolder scheme had ever been tried before. When, in 1879, a bill was introduced in the Pennsylvania Legislature to indemnify the railroad, to the amount of about $4,000,000 for the loss of property, the news was received with general amazement. Cassatt pushed the bill, and it would have become law had not some of the legislators revolted at the brazenness of the plan. A few denounced it as a monstrous fraud; one, in particular, Representative Wolfe, charged that bribery was being used, and demanded an investigation. Whereupon a committee of investigation was appointed on April 9, 1879.

The report of this committee specifically stated that three members of the Legislature had been guilty of bribery. From the evidence it was clear that Cassatt and Quay—the latter a corrupt politician at the head of the Pennsylvania Republican machine—had leagued forces to rush the bill through; that many members had been bribed either with money or with promises that certain bills of theirs would be passed: that corrupt combinations existed among members to pass important legislation, and that many editors of influence throughout the State had been bought to advocate the passage of the bill.[4]

the moon. 'It's Knox,' said Penrose to the Governor. And Knox it was. . . . To this narrative some minor interest is lent by the fact that President Cassatt was a Democrat."

[4] Petroff, Kemble, Salter, Rumberger and Crawford, all legislators or lobbyists, were convicted, in 1880, of bribery, and each was sentenced to a year's imprisonment. In passing sentence Judge Pearson remarked that bribery had been a common occurrence in the Pennsylvania Legislature for years.

A WAR OF MULTIMILLIONAIRES

Such were the ways of Cassatt, the head of the forces that George Gould had to encounter. Of all results, Gould sought most to get an entrance into Pittsburgh with its stupendous annual traffic of 75,000,000 tons. The government of that city was owned by the Pennsylvania Railroad. But what of that? If money could put in and run one set of officials, money could also put in another set. So George J. Gould decided, and rightly. The government of Pittsburgh now became the stake; Gould adroitly caused the question of the entry of the Wabash Railroad to be made an issue of the municipal election of 1902.

Backed by his millions, so it was said, a "reform" movement was generated and blown into lusty growth. George J. Gould carried his point; a Common Council favorable to his plans was elected.[5] At the same time Gould had a bill passed by Congress allowing him to bridge the Monongahela River. The statement was made that it cost him $12,000,000 to get an entrance into Pittsburgh, but the documentary proof was wanting. After spending $35,000,000, he carried through his Wabash plans.

Now the warfare of force began. In retaliation for Gould's victory, the Pennsylvania Railroad magnates ordered all of his Western Union Telegraph poles along that railroad's right of way to be cut down. If the telegraph operators had gone on a strike, the cry would have been raised that they were dangerously interrupting an essential public business, but violence when committed by magnates was held a sacred right of property, and no protests of Government officials were heard.

The above transaction was only one of many of those of corporations controlled largely or partially by the Goulds. In a series of articles written by Judge Ben B. Lindsey, a public-spirited jurist who had the most intimate knowledge of Colorado affairs, Judge Lindsey revealed in detail some extent of the corruption in that State. He told how nearly all of the officials and judges were corporation tools; how vast numbers of fraudulent votes were counted at elections; and how the corporations dictated the election or appointment of many of the judges. In particular, he related at length how Governor Peabody was declared elected in 1905, and how Peabody had bargained to appoint to Supreme Court judgeships certain men named by the corporations. Lindsey went on:

> Does this seem incredible? Read then the Colorado Supreme Court Reports,

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[4] But although the corruption attending the attempted passage of this bill was exposed, the Pennsylvania Railroad finally secured, as has already been noted, approximately $22,000,000 in "damages" from the public treasury.

[5] This "reform" movement was heralded as one which would regenerate Pittsburgh. The increasing corruption, caused by the business interests in bribing public bodies, was evidenced recently. The conviction of one of the principal bribe takers was followed by his confession, and by the confessions, in March, 1910, of many more members of the Pittsburgh Common Council. These confessions disclosed a vast system of bribery by steel magnates, banks and other business interests.

Vol. 35, page 325 and thereabouts. You will find it charged that the Colorado and Southern Railway Company, the Denver and Rio Grande Railway Company, and the public service corporations of Denver had an agreement with Governor Peabody whereby these corporations were to be allowed to select the judges to be appointed to the Supreme Bench. You will find it charged that Luther M. Goddard had been selected as a proper judge by the public utility corporations, but that the two railroad companies objected to him as "too closely allied with the interests of the Denver City Tramway Company and the Denver Union Water Company." "As a last resort," the statement continues, "the agent and representative of the said Colorado and Southern Railway Company was induced to, and did, after midnight on Sunday, the eighth day of January, and at about one o'clock in the morning on Monday, the ninth day of January, repair to the home of the said Luther M. Goddard, in a carriage, calling him out of bed, having then and there such conversation with the said Goddard that the said railway corporations, through their agents, withdrew their opposition to his confirmation, and they did on said morning at about three o'clock thereof announce to the remainder of the said corporations through their said agents and representatives, that their opposition had been withdrawn, and the withdrawal of the said opposition having been announced, the said senate of the Fifteenth General Assembly did, almost immediately upon its convening on the morning of Monday, the ninth day of January, confirm the said nomination of the said Goddard."

The brief containing these charges is signed by Henry M. Teller, Ex-Cabinet member and United States Senator, and by Ex-Governor Thomas acting as counsel for Senator T. M. Patterson, who made the charges in his paper, *The Rocky Mountain News*. These gentlemen offered to prove the charges before the Court, but the Court, in a most amazing decision, refused the offer, held that no matter how true such charges might be, it was "contempt of court" to make them, and fined Senator Patterson $1,000! . . .[6]

Georgian Court at Lakewood, N. J., one of the homes of George J. Gould, was emblematic of the splendor of the Gould residences. Built in the Georgian style of architecture, the main part was two hundred feet long and fifty wide. The great main hall was thirty feet wide and fifty long; at one end was a massive elliptical staircase of marble and bronze, supported by marble columns, and at the other end a superb marble fireplace. Around three sides of the hall was a mural painting sixteen feet high and eighty feet long—a depiction of the "Canterbury Pilgrims" from Chaucer. A hundred and fifty pendants of cut glass radiated prisms from the chandelier. The furniture in this hall was of Louis XIV style, blazing with powdered gold and covered with deep crimson velvet. This palace contained thirty rooms for the use of George Gould's family and guests. The bedstead in which George Gould slept cost $25,000. And all around this gray and white mansion, gray stucco covering brick walls, were fairy-like Italian sunken gardens filled with statuary and magnificent fountains. Connected with the mansion was a court, built at a cost of $250,000, wherein was a great tanbark hippodrome, a gymnasium, bowling alleys and lounging rooms, a shooting gallery, a large swimming pool and Turkish and Russian baths.

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[6] "The Beast and the Jungle," Everybody's Magazine, issue of February, 1910: 241-242. Moody's "Truth About The Trusts," issued in 1904, describes the Denver and Rio Grande Railroad as a distinctively Gould system. (p. 435).

HARRIMAN ENTERS

But the Gould fortune was already declining, and the process was accelerated when subsequently George J. Gould went into conflict with Edward H. Harriman. One of the ironies of George J. Gould's career was that at one stage in a notable transaction, he allied himself with Harriman, the man who, as Gould found later, was to wrest railway systems from him.

Harriman was one of six children whose father was a clergyman at Hempstead, L. I., receiving a salary of $200 a year. At 14 years of age, Harriman became an office boy, at wages of $5 a week for a New York Stock Exchange brokerage house. When 22 years old, he borrowed a sum enabling him to buy a seat on the New York Stock Exchange, and opened his own brokerage office. He specialized on railroad matters, bought at opportune times stock in some railroads, became somewhat of a power in their directing, and made considerable sums of money. He acquired the means and credit to take advantage of panic conditions and prices. At the height of the financial stringency after the panic of 1893, the Union Pacific Railroad was definitely insolvent. Most leading bankers regarded the affairs of that line as so desperate that they wanted none of its stock, which was then quoted at the paltry bid of 4 cents per $150 share. It was then, in 1895 and 1896, that Harriman bought enough of the stock to give him a dominating position in the railroad's organization. He attained the reputation of a man of audacity and of brilliant foresight, and in addition to what Wall street viewed as his far-sighted vision, he understood thoroughly all of the devices and jugglery of stock exchange practices and had made a thorough study of every aspect of railroad affairs and profit possibilities. For such a man the big banking house of Kuhn, Loeb & Company was looking, and he, in later large operations, found in them his confident and ample financial backers. He reached out to gain control of a series of transcontinental and other lines and succeeded.

ONE OF HARRIMAN'S TRANSACTIONS

The detailed narrative of how Harriman pushed himself into becoming a railroad dictator and in fast propelling himself into the position of a leading multimillionaire, would fill a volume. A characteristic instance will suffice to show his methods.

A syndicate composed of Harriman, Mortimer H. Schiff of Kuhn, Loeb & Company, George J. Gould and James Stillman, banker, set out to buy a large amount of stock of the Chicago & Alton Railroad Company owning nearly 1,000 miles of railway of which the total capital stock was about $34,000,000. They paid $200 a share for the preferred, and $175 a share for the common, bringing the total cost of shares thus bought to a shade more than $39,000,000. Then the printing presses were industriously put in motion turning out more securities. Within seven years the outstanding capital indebtedness was expanded from $34,000,000 to more than $114,000,000. Here was an increase of $80,660,000. Yet out of this capitalization there was expended only about $18,000,000 in actual improvements and additions to the property. This left a sheer addition of stock and liabilities, without a single dollar of expenditure to justify it, of about $62,660,000.

In reporting the foregoing facts the Interstate Commerce Commission declared: "It was admitted by Mr. Harriman that there was about $60,000,000 of stock and liabilities issued against which no property had been acquired, and this is undoubtedly an accurate estimate." The report then summarized—the arraignment was put in restrained language —"the various methods of indefensible financing" employed in the transaction. To Kuhn, Loeb & Company $22,000,000 of a $32,000,000 issue of bonds were sold at $60 per $100 bond, and other parts of the issue were disposed of at $65. In turn, these bonds were then sold at from $82 to $94 per bond. A considerable amount of the bonds was sold to large life insurance companies, and a law was enacted in New York State authorizing savings banks to invest in them. Harriman's rulership of the Chicago & Alton Railway (the name had been changed to Railway) was also signalized by the controlling owners paying themselves a 30 per cent dividend "based on amounts expended from income from improvements, much of it nearly thirty years before and recently capitalized." And of the many-sided great diversion of "profits" there were detailed other graphic particulars. In his testimony before the Interstate Commerce Commission, Harriman had admitted profits of $24,000,000 made by the reorganizers of the Chicago & Alton Railroad. Harriman not only received his large share of the syndicate's intake of revenues, but he was also paid a fee of $100,000 "for financing the enterprise." [7]

The syndicate sold to the Union Pacific Railroad Company 103,431 shares, at $86.50 a share of new Chicago & Alton Railway stock. The Union Pacific thus paid $8,946,781 for stock which, it was later estimated, had not cost the syndicate more than $500,000. Rich commissions amounting to large sums, were paid to Kuhn, Loeb & Company, the testimony showed, for services in handling the securities. Denouncing the Chicago & Alton Railroad looting, Senator Cullom, in the United States Senate, declared that Harriman should be sent to the penitentiary. A gratuitous demand, seeing that, whatever official reports disclosed as to his financial methods, Harriman was a heavy contributor to political campaign funds, and, as such, men occupying high political office were under obligations to him. An estimate published in 1908 put the total profits personally made by Harriman from various railroad transactions at more than $29,000,000. A list prepared in 1909 by the Interstate Commerce Commission showed that $116,000,000 shares of railroad stock were in Harriman's name.

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[7] Interstate Commerce Commission, 1907, Report No. 943:337-347.

IN CONFLICT WITH HARRIMAN

Such was the man with whom George J. Gould, unable to measure Harriman's capacity or glimpse the consequences, went precipitately into conflict. Harriman had given him an opportunity to withdraw from a coveted area when he offered to buy the Denver & Rio Grande Railroad from George J. Gould. This was a link needed by Harriman. George J. Gould, in 1901, not only rejected the offer but went ahead to launch the Western Pacific Railroad project as an extension of that line. George J. Gould's dream was that of a transcontinental railroad system of his own. In the boom times prevailing, he, according to statements made in court in a family contest many years later, had become "manifestly intoxicated" with optimism, and with his power to accomplish any undertaking that he planned; the mere conception became a reality in his mind. He sought ever more and more money and power, and—so the description in court of him went on, "was not afraid of Harriman or the devil" and "thought he was going to double his money."

The natural effect of George J. Gould's plan for a coast-to-coast railroad system was to antagonize Harriman completely. Such a proposed system would be a serious competitor of his line. Harriman had not sought warfare, and, as financial methods went, he had been uncommonly fair to George J. Gould. But now that warfare was on, George J. Gould speedily found that he had far overrated his own capacity and had far underrated that of his antagonist.

Aside from money resources, there were pronounced individual differences of disposition between the men. George J. Gould rested easily upon his inherited wealth and he assumed that ability came also by inheritance. Inclined to give only a formal attention to business matters, he was disposed more to occupying himself with the society side of life, and as New York was the scene of such activities of his, he developed an aversion, or at least a reluctance, to making those long trips over the continent necessary to a personal supervision of properties. On the other hand, Harriman was keenly intent upon his business, allowing no consideration to distract him from the main issue at hand. He concentrated his entire thought and will upon his schemes.

Inopportunely for George J. Gould, the money panic of 1907 came to dislodge much of the Gould wealth. A number of Gould railroads were thrown into bankruptcy; in the extremity stocks of some Gould properties had to be sold. By the next year—1908—Harriman forced George J. Gould to surrender even his lines in the East. Pressed for cash, Gould had to accept the terms offered. The same time saw the complete abandonment of his coast-to-coast railroad project. And not so many years were to pass before the Gould heirs lost control of all of the railroads left by their father.

WRECKAGE OF GOULD PROPERTIES

In his will Jay Gould had directed that, as George J. Gould was familiar with the management of his properties, his judgment should control, and he was empowered to vote the stock in such a way as he should decide. Jay Gould's other children, who accordingly had taken little part in the estate's management, filed suit in 1916 to have George, on the ground of his having improperly administered the estate, removed as trustee.

The resulting litigation dragged on through eleven years. In a petition filed, George J. Gould sought to have charges against him in affidavits eliminated. But the Supreme Court in New York, in 1919, removed him as trustee. The suit for an accounting and other redress went on and brought out bitter charges. Making a plea in the same court on April 17, 1922, in behalf of Frank Gould and others of Jay Gould's heirs, William Nelson Cromwell, one of the lawyers representing some of these, attributed to George J. Gould the notion that his father's sagacity had descended upon him and he had "launched forth as a great railroad magnate." With the result, Cromwell declared, one by one of the railroads administered by George J. Gould had been wrecked; in each case the experience had been one of receiverships, bankruptcy and reorganization. Cromwell dwelt upon "the bombastic flourishes of this man" who had involved properties in "a wreck that was colossal." Samuel Seabury, representing Frank Gould and his sister, the Duchess de Talleyrand, stated their claim that through George J. Gould's derelictions in management, the estate had lost more than $20,000,000. The management of Jay Gould's estate was vested by the Court, in 1922, in the hands of four trust companies.

George J. Gould died in a villa in France in 1923. His fortune was then placed at $30,000,000, but an inventory of his estate in the following year put the amount at $15,586,729, which debts, accounting and other expenses and deductions reduced to a net $5,175,590. By 1933 the estate had shrunk to $324,630. In 1925 Referee James A. O'Gorman, in the Supreme Court, New York, had ruled that five of Jay Gould's six heirs were liable for the losses sustained through transactions which violated the provisions of his will. The total of these losses was placed at $50,000,000. This decision had the effect of curtailing the shares received by George J. Gould's widow and children from his estate. The seven children of his first marriage were the beneficiaries, under this judgment, of a total of about $4,000,000 of available funds. One of these children was Lady Vivien Decies; she died in London in 1931. With the second Mrs. George J. Gould, it was announced, there had been arranged a settlement of $1,000,000, and hence her children had no interest in the fund now distributed.

What actually was left of Jay Gould's fortune? In the Supreme Court, in New York, on June 1, 1927, Justice John M. Tierney had approved a settlement whereby the trustees of the estate were authorized to distribute more than $16,000,000 among the six trust funds which Jay Gould had established for his six children. At the same time Justice Tierney approved the payment of $2,703,635 to the fifty lawyers who had represented Jay Gould's children, grandchildren and great grandchildren; one law firm, attorneys for Frank J. Gould, was allowed more than $580,000; Samuel Seabury, counsel for the same, nearly $500,000, and other lawyers concerned each a considerable sum. As for George J. Gould's palatial $2,000,000 Georgian Court it was sold in 1924 to Mount St. Mary's College, of North Plainfield, N. J. for a sum reported to be $800,000. Two years previously his costly New York City mansion, built in 1908 at Fifth avenue and Sixty-seventh street, and the scene of many glittering social functions was put on the market for sale.

THE RUSSELL SAGE FORTUNE

To deal with the individual lot of various of Jay Gould's children is hardly a necessary part of this narrative.

There remains one essential. This is to contrast the respective sequels of the Gould and Russell Sage fortunes. Jay Gould believed that he had founded a dynasty of wealth. Its permanency, he was confident, was adequately safeguarded. Russell Sage had no such idea. He had accumulated and held for the sheer love of money but his aim began and ended with that one personal obsession. All of his wealth went to his widow to be used or disposed of as she pleased. Once it was in her possession she gave large sums to universities, churches and institutions. Mrs. Sage died on November 4, 1918, and in 1919 her estate was appraised at $49,051,045 gross, and $45,261,724 net. Valued at $35,000,000, a host of securities in many corporations formed the bulk of the estate. To relatives she bequeathed some millions, and about $40,000,000 for the benefit of a long list of educational, philanthropic institutions. She was credited, and justly, with having made amends for the total lack of social attitude or obligation on the part of her husband. It was, therefore, all the more noteworthy that one of her most useful benefactions was named after him. This endowed establishment was the Russell Sage Foundation to which she gave $5,436,104. For one of the features of this Foundation, its library on social subjects, students availing themselves of its facilities have cause to feel grateful to Mrs. Sage's memory in her providing a much-needed place of specialized information.

Chapter XVII

THE BLAIR AND THE GARRETT FORTUNES

OF John I. Blair little is now heard, yet when he died in 1899, at the age of ninety-seven, he left a great personal fortune, estimated variously at from $60,000,000 to $90,000,000; his wealth, descending largely to his son, De Witt C. Blair, formed one of the notable estates in the United States. Here, according to the purveyors of public opinion, was an honest man; here incontestably was a capitalist of "rare business instinct," whose fortune came from pure, legitimate and upright methods. "For more than half a century," said one newspaper editorial[1] at his death, "he has been one of the leading business men in the country, and for more than a quarter of a century one of the richest men in the world, his fortune being estimated at from $50,000,000 to $100,000,000, every farthing of which came to him through legitimate channels, creating other wealth on its way to him, as well as after it had reached his hands." This was not an isolated eulogy; round and round the columns of the press went these pæans with never a dissent or demurring.

AN INQUIRY INTO BLAIR'S CAREER

Through all of these pages have we searched afar with infinitesimal scrutiny for a fortune acquired by honest means. Nor have the methods been measured by the test of a code of advanced ethics, but solely by the laws as they stood in the respective times. At no time has the discovery of an "honest fortune" rewarded our determined quest. Often we thought that we had come across a specimen, only to find distressing disappointment; through all fortunes, large and small, runs the same heavy streak of fraud and theft, the little trader, with his misrepresentation and swindling, differing from the great frauds in degree only. Have we, at last, in Blair's, stumbled upon one fortune unblemished by any taint whatsoever? Can we now exclaim, Eureka! So it would seem if current comment is to be swallowed as the fact. But inasmuch as we have doggedly developed an exploring, if not a perversely skeptical turn of mind, let us gratify it to the full by investigating the career of this paragon of commercial virtue.

Now it does so happen that whatever the reserved, sequestered life Blair led in his dotage, basking in the titular glory of wonderful business man and philanthropist, he left a large, resounding impress upon industrial events of fifty and sixty years ago. The surviving records, buried in obscurity, emerge from their forgotten shelves to confound the fairy tales of eulogists. He was contemporaneous with Commodore Vanderbilt, the first John Jacob Astor, and Russell Sage; and he was as excellent a business man as any of them, which is to say, his methods were relatively the same as theirs. Blair was demonstrating in his own way that he, too, had all the necessary qualifications of "a leading business man."

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[1] New York "Tribune," August 27, 1899.

Born near Belvidere, N. J., in 1802, his parents were farming folk; and his biographers related with a blissful smack of appreciation that when he was a very young boy he announced to his mother that, "I could go in for education, but I intend to get rich." Like Sage, he started as a clerk in a country store, and he then widened into being the owner of a general merchandise store, at what is now Blairstown, New Jersey. Years passed and he prospered, his panegyrists told, and he then opened a number of branch stores. But this part of his career is shrouded in mere tradition; nothing authentic is known of his methods at the time.

BLAIR AS A RAILROAD BUILDER

Blair next turned up as the owner of an iron foundry at Oxford Furnace, N. J., and it is from this point of his career that definite facts are embodied in official records. "The necessity for transporting the metal to the seaboard," wrote one biographer, "led Mr. Blair and others to organize the Lackawanna Coal & Iron Company, out of which has grown the great system of the Delaware, Lackawanna & Western Railroad." With this all-inclusive sentence the biographer airily dismissed this part of the subject. But there are weighty reasons why we should dwell upon it, with brief, yet sufficient explanation, for it was in this operation that Blair made his first millions; it was here that he gave the first scintillating demonstrations of his "rare business instincts."

Had it not been for an acrimonious falling out between him and his associates in this railroad business, the truth would be beyond reach. As it is, these men made the huge error of perpetuating their quarrel in print; an unpardonable blunder if the good opinion of posterity is to be held. This quarrel arose over such a sordid matter as the allotment of graft; it was a bitter, ungentlemanly row, as is all too clearly evidenced in the biting denunciations of one another that were put in the reports by the disputants themselves. From these reports it appears that Blair was, indeed, doing business in the accustomed style; he was selling, at excessive prices, the products of his mill to a railroad corporation of which he was a director, and individually building branch lines which he foisted at enormous profit upon the corporation.

The Delaware, Lackawanna & Western Railroad, now one of the very richest in the land, was organized in 1850 by the grouping of a number of small, separate lines. To secure franchises and special rights and aid, the usual procedure of bribery was resorted to, and with unfailing success. The men at the head of it knew their slippery trade well; they were the same rich merchants who were involved in other transactions. Some of them we have accosted before in these chapters—George D. Phelps, John J. Phelps, William E. Dodge, Moses Taylor and others. With John I. Blair these men formed the board of directors of the Delaware, Lackawanna & Western Railroad Company.

One of the separate lines incorporated in this railroad was the Warren line, crossing New Jersey into Pennsylvania. The building of this road, as nearly as can be made out from the law records, was attended with some very peculiar circumstances. Two sets of capitalists were competing for a franchise to extend their railroads through the mountains to the Delaware Water Gap; one was the Morris & Essex Railroad Company, the other the Warren Railroad Company, headed by Blair and Dodge. Both, in 1851, obtained charters from the New Jersey Legislature within a few days of each other's grant. In those years scandal after scandal was developed in successive New Jersey legislatures; it was no secret that the railroad magnates not only debauched the Legislature and the common councils of the cities with bribes, but regularly, in true businesslike style, corrupted the elections of the State. In 1851, for instance, the only candidates balloted for by the Legislature for the post of United State Senator were rival railroad nabobs; the very same men who, it was notorious, had for years been bribing and corrupting.

Which of the two sets would succeed in building its railroad extension first? The Legislature had accommodated both with charters for the same route; in that respect they were on an equal footing. But Blair and Dodge completely outwitted the Morris & Essex set, and went on to claim prior rights for their lines. The Morris & Essex Railroad Company charged fraud and went hotfooted into court after an injunction, which temporarily it obtained. The case came up for final adjudication in the New Jersey Court of Chancery in 1854. The Morris & Essex group asserted that they had bought the right of way through the Van Ness Gap, and charged Blair with taking fraudulent possession of these lands for the purpose of "fraudulently frustrating the complainants in the extension of their road"; that the survey made by Blair and Dodge was fraudulent, and that there were other frauds. In his answer Blair put in a general denial, although he admitted that the Morris & Essex Railroad Company had bought the land and received deeds for it, but averred that this took place after the lands had been conveyed to the Warren Railroad Company. Each side charged the other with fraud; undoubtedly the assertions of both were correct. Judge Green decided in favor of Blair and dissolved the injunction.[2] Subseqently the Warren

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[2] New Jersey Equity Reports, ix:635-649.

The chief owner of the Morris and Essex Railroad was Edward A. Stevens who, for many years, blackmailed a competing line, the New Jersey Transportation Company, and who, when that company finally refused to continue to pay blackmail, bribed, it was charged, the New Jersey Legislature to pass retaliatory measures.—See a later chapter.

Railroad was unloaded upon the Delaware, Lackawanna & Western Railroad at a great profit.

CHARGES OF JOBBERY AND GRAFTING

At first, the relations among Blair, the Phelpses and Dodge must have been of that brotherly unity springing from the satisfactory apportioning of good things. Previous to 1856, the annual reports of the board of managers of the Delaware, Lackawanna & Western Railroad Company breathed the most splendid harmony, with never a ripple of discord. As president of the company, Phelps had appointed Blair the land agent for the Warren division of the railroad.[3] Very evidently a joyous, comfortable spirit of satisfaction with the way things were progressing pervaded this stalwart group of worthies.

Suddenly the tenor of their private and public communications changed. Peppery statements, growing into broadsides, were issued, filled with charges and counter charges, and a caustic quarrel set in over the question of graft, especially in connection with the Warren railroad. On September 9, 1856, Phelps resigned from the presidency, and in doing so, practically charged others of the directors with carrying on a profuse system of grafting in the purchase of land, supplies and branch lines.

Did Phelps resign as a protest? More probably, the actual situation was that the internal fight sprang up over difficulty in adjusting the division of the spoils, and the anti-Phelps faction had proved itself the stronger. Phelps set forth his case in published confidential statements accompanying the annual reports. He boasted that after the franchises of the Delaware, Lackawanna & Western Railroad had been forfeited for non-compliance, that it was he who had got through an act on April 2, 1885, "restoring all franchises and granting other important privileges." He complained of the exorbitant expenditures the directors were making, and significantly pointed out that when he had wanted to get an auditor, Blair and other directors refused to vote for one. Referring to the process of graft Phelps wrote that "one of our managers [Blair] is a director and large stockholder in the Lackawanna Iron & Coal Company; one-eighth owner in the Lehigh & Tobyanna Land Company; largely interested in real estate along the line of the road and president of the Warren railroad, of which his son is a principal contractor. Another son is director and very large owner in the Lackawanna Iron & Coal Company," etc.[4] In another confidential circular, dated January 17, 1857, Phelps criticized Blair as "one of the parties more particularly referred to" and as "systematically opposed to my measures." If this much came out in cold type, what must have been the whole story? The fragmentary visions we get in these reports are undoubtedly but an index to the elaborate miscellanies of graft carried on by Blair in every available direction.[5]

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[3] "Second Annual Report of the Board of Managers of the Delaware, Lackawanna and Western Railroad Company, 1855":8.

[4] "Confidential Statement to the Stockholders of the Delaware, Lackawanna and Western Railroad Company, 1856":6.

BLAIR'S RAILROADS IN THE WEST

Blair's loot in these transactions appears to have been very large. His operations were so successful that he went into railroad founding as a regular pursuit; and, as did Sage, he combined professional politics and business. His greatest opportunities came when the Union Pacific and other railroad charters, subsidies and land grants were bribed through Congress.

"In the early days of the settlement of the great West," wrote one of his puffers, "Mr. Blair found ample opportunity for the exercise of his rare judgment and untiring energy, and his name was connected, either as a builder or director, with not less than twenty-five different lines." What a symmetrical and appealing description! All that it lacks to complete it are certain trivial details, which will here be supplied.

As one of the original directors of the Union Pacific Railroad, Blair shared in its continuous and stupendous frauds. But it was in Iowa that he plundered the most of his tens of millions—Iowa with its fine pristine agricultural lands, among the richest in the United States. While Sage was busily engaged in Wisconsin and Minnesota, he was also, as was Blair, pursuing precisely the same methods in Iowa. There was the same bribery of Congress and of Legislature; the same story of immense subsidies and land grants corruptly secured; [6] the same outcome of thieving construction companies, looted railroads, the cheating of investors, bankruptcies and fraudulent receiverships. Not less than $50,000,000 in subsidies in one form or another were obtained by the railway companies in Iowa; their land grants reached almost 5,000,000 acres. In the projection of the railroads in that State, Blair was the predominating—almost, excepting Sage, the exclusive—figure; he seemed to direct everything; and he certainly allowed no one else to pocket what he could get away with himself.

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[5] Grossly pliable as the law was, where capitalist interests were concerned, nevertheless the law long professed to recognize the fundamental principle that it was against public policy to let contracts for the construction of a railroad to a director or officer of the company. "All such contracts," wrote Elliott, "are regarded with keen suspicion, and, at least in the absence of good faith, are voidable, or, according to some authorities, void, upon the clearest principles of public policy." (See Elliott on Railroads, ii:839-840.) This sounded well in theory, but in practice the courts invariably found grounds to sanction these frauds.

[6] "The first land grants made by Congress," wrote Governor J. G. Newbold of Iowa, in his annual message in 1878, "were turned over to the companies absolutely, although the act of Congress contemplated the sale of the lands by the State as earned, and the devotion of the proceeds to the construction of the railroads; the companies were permitted to select the lands regardless of their line of road; and they were allowed, virtually, their own time to complete the work, notwithstanding that one main object of the grants was to secure this completion at an early day.

"Townships, towns and cities have been permitted to tax property within their limits to help build the roads, and the revenue thus derived was turned over absolutely to the companies constructing them, while much of the property of these companies practically escapes municipal taxation."—Iowa Documents, 1878, Reports of State Officers: 27.

THE SIOUX CITY AND PACIFIC FRAUDS

One of a number of his railroads was the Sioux City & Pacific—a line with a very ambitious name but of modest length. Its charter, subsidies and land grant were obtained by Blair at the auspicious and precise time when the Union Pacific Railroad measures were passed by bribery.

Whether, however, Blair used money in corrupting Congress is not to be determined from the official records. But if he did not, he, at any rate, employed an even more subtle and effective mode of corruption. The Congressional investigations reveal that it was his system to debauch members of Congress with gifts of stock in his corporations;[7] these honorable members, of course, mightily protested that they had paid for it, but nobody believed their excuses. Poor's Railroad Manual for 1872-73 additionally revealed that among the directors and stockholders of Blair's railroads were some of the identical members of Congress, both of the House and Senate, who had advocated and voted for the charters, subsidies and land grants for these railroads.

For the Sioux City & Pacific Railroad Blair secured a land grant of one hundred sections, and $16,000 of Government bonds, for each mile of railroad. What happened next? Act two was the organization of a construction company modeled on exactly the same lines as the Credit Mobilier. As the head of this company, Blair extorted large sums for building the railroad. On the prairies of Iowa, with almost no grading necessary, railroad building called for comparatively little expenditure. Expert testimony before the Pacific Railroad Commission, in 1887, estimated that the road could have been built at a cost of $2,600,000, with the supplementary statement (and what a commentary it formed upon the business standards of the times!) that if *honestly done* the entire cost ought not to have exceeded $1,000,000.

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[7] See Credit Mobilier Reports. These are full of testimony attesting the buying up of members of Congress by this method.

His chief accomplices in this work in Congress were William B. Allison and Oakes Ames. As Representative, and later United States Senator, from Iowa, Allison was long a powerful Republican politician. Ames (as we have seen) was one of the principal originators and manipulators of the great Credit Mobilier swindle. The fact that Allison and Ames were both officers of the Sioux City and Pacific Railroad Company at the same time that they were members of Congress was well known before the act of 1868 was passed. On December 15, 1867, Blair certified to Hugh McCulloch, United States Secretary of the Treasury, that the following officers of the company had been elected on August 7, 1867: John T. Blair, president; William B. Allison, vice-president; John M. S. Williams of Boston, treasurer, etc. The Executive Committee elected on that date was composed of Blair, Ames, Charles A. Lambard, D. C. Blair, and William B. Allison.—See Ex. Documents, Nos. 181 to 252, Second Session, Fortieth Congress, 1867-68, Doc. No. 203.

A LITTLE ITEM OF A $5,000,000 CHARGE

What did Blair's company (which was mainly himself and his sons) charge? It awarded itself $49,865 a mile, or a total of more than $5,000,000. Then having bled the railroad into insolvency, Blair enriched himself further by selling it to the Chicago & Northwestern Railroad Company. If there be any doubt of the cool deliberation with which those "eminent capitalists" set out to swindle the Government, it must, perforce, be dissipated by consideration of the following fact: "When the negotiations were pending for the transfer of the stock of the Sioux City & Pacific Railroad Company to the Chicago & Northwestern," read the report of the Pacific Railroad Commission, "John I. Blair offered a resolution, which appears on the minutes, setting forth that the Chicago & Northwestern must bind itself to protect every obligation of the company except that to the United States Government." [8] This was a refreshingly candid way of arranging swindles in advance. And, in fact, the final swindling of the Government of much of the funds that it had advanced was accomplished in 1900. By an act then lobbied through Congress, the company was virtually released from paying back more than one-tenth of the sum it still owed the Government.[9]

ANOTHER RAILROAD PLUNDERED

But Blair's acts in the inception and construction of the Sioux City & Pacific and some of his other roads were surpassed—in degree, at least—by those he put through in another of his Iowa railroad projects—the Dubuque & Sioux City line. The charter and land grants of this railroad, and those of the Iowa Falls Sioux City Railroad, were given by an act passed by Congress on May 15, 1856. We have seen what indiscriminate corruption was going on in Congress in 1856 and accompanying years; how the Des Moines River & Navigation Company's land grant was obtained by bribery, and how committees were reporting the existence of corrupt combinations in Congress. There is no definite official evidence that the charter and land grants of the Dubuque and Sioux City Railroad Company and those of the Iowa Falls & Sioux City were secured by bribery, but judging by the collateral circumstances attending the passage of other bills at the same time, the probabilities are strong that they were. By the act of 1856 these two companies received as a gift about 1,200,000 acres of public land in Iowa.[10] Despite this lavish present, the incorporators made little or no attempt to build the entire railroad; they occupied themselves almost solely with stockjobbing, and with the business of profitably disposing of the land to settlers. Congress was compelled under pressure of public opinion to forfeit much of their land grant.

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[8] Pacific Railroad Commission, i: 193.

[9] Allison, who, as a prominent member of the House, had been implicated in Blair's briberies nearly forty years before, was now one of the leaders in the United States Senate. This was the man at whose death the newspapers eulogized as a "great constructive statesman."

[10] The act of May 15, 1856, gave a total of 1,233,481.70 acres to the Dubuque and Sioux City Railroad Company and the Iowa Falls and Sioux City Railroad Company. By the same act the Iowa Central Air Line and the Cedar Rapids and Mis-

CORRUPTING OF CONGRESS

Blair saw what glorious opportunities had been lost by the act of forfeiture. But the mischief could be undone. If one set of capitalists were obtuse enough not to know how a restoration could be brought about, he knew. So he came forward, took up the companies as his own, and applied to Congress and to the Legislature of Iowa for a resumption of the rights and grants of which they had been shorn.

He succeeded; both Congress and the Iowa Legislature passed acts in 1868 restoring the rights and land grant. How came it that he encountered no obstacles in his plan? Why were these legislative bodies so tractable? Of course, they could plead that they simply acted in deference to memorials from the citizens of Iowa; but memorials were transparent affairs, easily manufactured. And the "Wilson Committee" (the Credit Mobilier Investigation) of 1872 could make its whitewashing report that "no evidence could be found" of money having been used for "improper purposes," either in Congress or in the Iowa Legislature. But the testimony before this very committee flatly contradicted its conclusions. It was revealed that a whole string of conspicuous members of Congress had suddenly become large stockholders in the Dubuque & Sioux City Railroad.[11] Upon getting the restoration of the land grant, Blair organized a construction company, called the Sioux City Railroad Contracting Company, and by the usual cumulative system of charges in construction work, made immense "profits," reaching many millions of dollars. Some of the railroads that Blair plundered were later made parts of the Illinois Central system, of which Harriman became dictator.

It must not be thought, however, that outright bribery was always resorted to in order to secure subsidies, special rights and immunities. In the first stages of railroad history direct bribery was the usual means; but as time wore on, the passing of money in direct ways became less frequent; a less crude, finer and more insidious system was generally substituted. The Western magnates began to follow the advice of that Eastern magnate who declared that it was easier to elect, than to buy, a legislature.

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souri River Railroad Company received a total of 783,096.53 acres, supplemented by 347,317.64 acres by act of June 2, 1864. The acts of May 15, 1856, and June 2, 1864, also gave extensive land grants to the Chicago, Rock Island and Pacific Railroad Company.

[11] See the section of the Credit Mobilier Reports entitled "Credit Mobilier and Dubuque and Sioux City," in which the details are set forth.

BRIBERY BY MONEY AND OTHERWISE

The newer system as it was carried on in Iowa and other states was succinctly described in 1895 by William Larrabee, erstwhile Governor of Iowa. "Outright bribery," he wrote, with a long and keen knowledge of the facts,

> is probably the means least often employed by corporations to carry their measures. . . . It is the policy of the political corruption committees of corporations to ascertain the weakness and wants of every man whose services they are likely to need, and to attack him, if his surrender should be essential to their victory, at his weakest point. Men with political ambition are encouraged to aspire to preferment, and are assured of corporate support to bring it about. Briefless lawyers are promised corporate business or salaried attorneyships. Those in financial straits are accommodated with loans. Vain men are flattered and given newspaper notoriety. Others are given passes for their families and their friends. Shippers are given advantage in rates over their competitors. The idea is that every legislator shall receive for his vote and influence some compensation which combines the maximum of desirability to him with the minimum of violence to his self-respect. . . . The lobby which represents the railroad companies at legislative sessions is usually the largest, the most sagacious and the most unscrupulous of all. In extreme cases influential constituents of doubtful members are sent for at the last moment to labor with their representatives, and to assure them that the sentiment of their districts is in favor of the measure advocated by the railroads. Telegrams pour in upon the unsuspecting members. Petitions in favor of the proposed measure are also hastily circulated among the more unsophisticated constituents of members sensitive to public opinion, and are then presented to them as an unmistakable indication of the popular will. . . . Another powerful reinforcement of the railroad lobby is not infrequently a subsidized press and its correspondents.

But the loot by means of construction companies in his numerous railroad projects formed only a part of the wealth grasped by Blair. One-eighth of the entire domain of the richly fertile State of Iowa was granted to railroads, most of which Blair owned. This reached an area almost as large as the State of Massachusetts. Settlers were compelled to pay an exorbitant price for farm lands, and very often were under mortgage to the railroad companies. A detailed description of Blair's methods would be simply a repetition of those described in previous chapters in the case of other magnates.

PHILANTHROPY COMPARED WITH FACT

Although incurably stingy in personal expenditures—the meanest of men—Blair donated just enough money to procure the award of being an extremely pious philanthropist. He founded one hundred churches in the West; he established a Presbyterian Academy at a cost of $150,000, and gave several hundred thousand more dollars to the Presbyterian

Church. But what were the effects of his operations and those of his successors upon the very people to whom he so devoutly contributed pulpits and gospels? Writing of the Iowa railroads, Dr. Frank H. Dixon, a conservative writer, declared:

> The roads had it in their power to make and unmake cities, to destroy the businesses of individuals, or to force their removal to favored points. The people were quickly up in arms against this policy. The flame of opposition was fanned by the bitter feelings aroused through absentee ownership, so prevalent in the Western States at this time. A well-settled conviction possessed the people that the owners of capital, directing their operations *in absentia* and through intermediaries, limited their interest in Western affairs to the amount of dividends which they could squeeze from the shippers.[12]

And, of course, large amounts of watered stock, upon which these dividends had to be paid, were issued by railroad constructors and by succeeding groups of manipulators.

This, in outline, was the course of Blair, so eminent and exalted a capitalist; here is an elucidation of the fine textures of his "rare business instincts"; and knowing it, the mystery of where his sixty or ninety millions came from is quite apparent, if not entirely clear.

What Blair and others were doing in the North and West before, during, and after the Civil War, John W. Garrett and Johns Hopkins were doing in Maryland. Scarcely referred to now, Garrett was extolled in his day as a "famous railroad king"; and in this case it is not the man so much nor the Garrett fortune which commands interest as is the story of the railway line that he and Hopkins largely owned; this property forms today one of the great transportation systems of the country.

THE BALTIMORE AND OHIO BUILT BY PUBLIC MONEY

As were other railroads, the Baltimore & Ohio Railroad was built almost wholly with funds granted by State, counties and municipalities. In 1827 the State of Maryland granted a subscription of $500,000 as first aid, and the city of Baltimore the same sum. At the outset the projectors loftily disclaimed any intention of asking any further grants of public aid; private capital, said they, would construct the road. But seven years later they made another inroad upon the public treasury; the State of Maryland was induced to subscribe $3,000,000 more in 1835, and the city of Baltimore $3,000,000 in 1836. In 1838 they obtained $1,000,000 from the city of Wheeling.[13] For a while they were discreet enough to refrain from again attacking the public treasury; but when, in 1850, they applied to the Common Council of Baltimore for $5,000,000 more, and obtained the amount, there was some questioning as to what had become of the many millions contributed from the public exchequer. A considerable part, it was evident, had been used in constructing the railroad, but opinions were freely expressed that the directors had been enriching themselves by the customary grafting devices of the day.

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[12] "State Railroad Control, With a History of Its Development in Iowa": 24.

[13] Laws, Ordinances and Documents Relating to the Baltimore and Ohio Railroad Company; 1840: 67, 108, 133, 134, etc.

Whenever, however, opposition to additional appropriations sprang up and embarrassing questions were asked, the directors would have their appealing arguments ready. "See what a great work we have been carrying on. Is this not an enterprise of the greatest importance to the whole community, to the farmer, the mechanic and the business man? Now, when we are on the high road to completion, shall we have to suspend because of lack of funds? Would not this be a great public calamity?" Such arguments told with the public; and the legislatures and common councils, corruptly influenced, could always base their explanations upon them.

GARRETT AND HOPKINS GET CONTROL

Plundered by the original clique, the Baltimore & Ohio Railroad went into financial ruin. Notwithstanding the great bounties that it had received, it was in a demoralized condition in 1856, and its treasury was empty. Garrett and Hopkins, who had long been associated with it and who had probably shared in the loot (although there is no specific proof on this point), bought up more quantities of its stock, then selling cheap, and snatched control. Born in Baltimore in 1820, Garrett was the son of a rich shipping merchant; Hopkins had made money in the grocery business.

Garrett and Hopkins not only continued the long-prevailing methods, but consummated many other self-enriching acts. Here, for example, was one of the smaller of these: The millions of stock subscriptions donated by the State of Maryland for the building of the Baltimore & Ohio Railroad had been to a large extent floated in London among British capitalists. The interest had to be paid by Maryland to these financiers in gold. Did the company, on its part, reimburse the State in coin? By no means. It claimed, by force of certain judicial decisions, that it was not required to pay interest to the State otherwise than in currency. Under the prevailing money conditions, and estimating the difference in rates of exchange, this form of payment meant a constant loss to the State of Maryland—a loss reaching more than a total of $400,000, of which amount the Baltimore & Ohio Railroad Company deprived the State.

Far greater were the amounts of which the State of Maryland was cheated in the fraudulent manipulation of what was called the Washington Branch of the Baltimore & Ohio Railroad. In return for franchises and aid, the company agreed to pay the State one-fifth of the passenger receipts. After the branch was in successful operation, its treasury was constantly represented as so sickly that there was no money in hand with which to pay the State. Time after time inquiries were made by honest legislators as to where the great profits had gone. No satisfactory answer was ever given; the State was absolutely cheated; and, finally, an acquiescent act was passed practically abandoning all of the State's claims.

Under Garrett and Hopkins' control, the Baltimore & Ohio Railroad Company caused to be passed a series of donative measures exceeding, in some respects, those put through by Commodore Vanderbilt in New York. Repeatedly the legislatures of Maryland, Virginia, West Virginia, Pennsylvania and other States, and the common councils of many cities, were utilized, and courts were thoroughly subverted. Franchises of inestimable value were given away; the public treasury was cheated out of the sums advanced, and was drawn upon to pay the expense of improvements; large stock watering issues were authorized, and the company was virtually relieved from taxation. By 1876 fully $88,000,000 of its property went untaxed.

The militant object of Garrett and Hopkins was the destruction of the Chesapeake and Ohio Canal as a competitor. As Commodore Vanderbilt in New York found the Erie Canal to be a competitor of his lines, so Garrett and Hopkins decided that they could not get a monopoly of transportation in Maryland until the Chesapeake and Ohio Canal had been extinguished as a competitor. The obstacles in their way were great, for the State of Maryland had expended many millions of public money in the construction of the canal, and owned it, and the public was not disposed to see its usefulness impaired. This was especially true of the merchant class, which demanded competition and insisted that monopoly would be ruinous.

DESTROYING CANAL COMPETITION

Beginning in 1860, Garrett and Hopkins influenced the Maryland Legislature, until by one act piled upon another, they were gradually able to wrest away its ownership from the State. But they did not merely depend upon the pliancy of legislators after they were in office. With money supplied, the political bosses of Maryland engaged in packing of primaries, indiscriminate bribery of voters and stuffing of ballot boxes, thus insuring the election of subservient officials. Once the canal was practically in their hands, Garrett and Hopkins made it useless as a competitor.

Having a complete monopoly they now exacted extortionate charges for transportation, and they likewise increased their profits by cutting the pay of their employees. In desperation, the railroad workers declared a strike in 1877. False reports of the violence of the strikers were immediately dispatched broadcast. Using these charges as a pretext, the military was called out. At Martinsburg, W. Va., the State militia refused to fire upon the strikers, but a company of militia, recruited from a class hostile to the strikers, opened fire, killing many of the strikers and wounding others.

HOPKINS BECOMES A PHILANTHROPIST

Both Garrett and Hopkins amassed out large sums from their control and manipulations of the Baltimore & Ohio Railroad. Hopkins' fortune, at his death, amounted to nominally $10,000,000. At the time of his demise, in 1873, he was "the wealthiest citizen of Baltimore." The most close-fisted of men, he relaxed in at least one respect during the last year of his life. Following the example of so many other multimillionaires of the period, he made certain of the perpetuation of his memory as a "great philanthropist." To this end, in March, 1873, he gave property valued at $4,500,000 with which to found a hospital in Baltimore; he presented Baltimore with a public park, and he donated $3,500,000 as an initial benefaction for the founding of the Johns Hopkins University. Here it is pertinent to inquire what was the form of property given in these bounties. Very largely, it consisted of Baltimore & Ohio Railroad stock.

And what was Garrett's share of the proceeds of the joint control? At his death, in 1884, it was said to be $15,000,000, but it was undoubtedly much more. This wealth descended to his son Robert, who went through a series of personal excesses, to wind up in melancholia and softening of the brain. Obviously enough, he was no match for abler capitalists; [14] they pounced upon him and ruthlessly despoiled him as his father had despoiled others; his autocratic power and sway gradually vanished. When he died, in 1896, his wealth had shrunk to about $5,000,000, and the Baltimore & Ohio Railroad system passed under the control of another group of magnates.

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[14] A story, frequently published, was to this effect: That Robert Garrett had secretly consummated negotiations for the purchase of the Philadelphia, Wilmington and Baltimore Railroad, and the night before the final arrangements were to be made invited a friend to celebrate the occasion. When bibulous from champagne, Garrett revealed the secret. The friend excused himself, went immediately to Scott, of the Pennsylvania Railroad, and informed that magnate. Scott at once filled a satchel full of bonds, and hurried away to make an offer to the capitalists controlling the Philadelphia, Wilmington and Baltimore Railroad, outbid Garrett, and had secured the ownership of that railroad for the Pennsylvania system almost before Garrett had awakened from his drunken stupor.

Chapter XVIII

THE PACIFIC QUARTET

DURING the range of years when the Vanderbilts, Gould, Sage, Blair and various other railroad magnates were hurling themselves upward into the realms of masterful wealth, four other noted capitalists whose careers were interjoined, were doing likewise in the Far West.

This group was composed of Collis P. Huntington, Leland Stanford, Charles Crocker and Mark Hopkins. It was an unusual brotherhood in that, for a long time, they hung together with a tenacious fidelity not often found among railroad capitalists. In fact, it was so rare a phenomenon that the mention of it deserves a place of supreme precedence. Such magnates as Commodore Vanderbilt and William H. Vanderbilt, Gould and Sage, preferred to go it alone, not merely satisfied with the lion's share, but determined to bag it all, if they could; they were distrustful and intolerant of partners except as expediency demanded, and then they acted with them only to fleece them eventually. The Pacific quartet were also starkly individualistic, each for himself, but they moderated their propensities enough to fuse their interests in a common harmony of aim. Even more: they sagaciously weighed the special fitness of each, assigned the duties according to this individual appraisement, and divided the spoils with a certain flavor of fairness.

So far as railroad magnates were concerned, this was a remarkable feature of their time.

FOUR MEN WHO COULD ACT TOGETHER

In fine, this group was distinguished by a method of intelligent coöperation. To this fact was due, in a measure, their rapid success in obtaining great wealth without the necessity of dragging through intermediate stages. They were among the first of the magnates to prove the superiority of the principle of systematic organization—a lesson which the Standard Oil group took up a little later, amplified, improved, and developed into a superfine system. Here was not a case of where one man dominatingly insisted that he alone was endowed with all of the functions required in successful business. The Pacific quartet recognized the value of specialization. In a general way, Huntington was intrusted with the supervision of the financial affairs; Stanford of the plans for the manipulation of law and politics; Crocker was placed in charge of the construction work, and Hopkins was the commandant of office details. The particular useful qualifications of each of the four were mutually appreciated and availed of. In addition to this division of overseership, all joined together as a unit in the promotion and accomplishment of their plans.

Circumstances did not compel these four men to be of quite the same revolutionary type of capitalists as the Vanderbilts and Goulds. They did not have to do much pummeling of smaller capitalists, nor expend much effort in beating down the sacred doctrine of "free and unrestricted competition." Their territory was largely one which had not been taken up by companies of small capitalists, building in piecemeal fashion. They had the opportunity of bringing forth great railroad systems out of what had been a void. At a bound they sprang from an obscure position to that of great capitalists; the transformation from petty dealers in merchandise or law to multimillionaires was a quick, sudden one. Within a few years they took their place among the industrial dictators of the United States; owners of great railroad and steamship lines and of many other forms of property, and of an immense domain of land—not less than 30,000,000 acres in all.

THEY BEGIN WITH SCANT CAPITAL

All four had migrated from the East to California after the discovery of gold on the Pacific Coast. There Huntington carried on a hardware and miners' supply store at Sacramento, and Hopkins became his partner; Crocker was likewise a small merchant, and Stanford was a lawyer. The four were not able to scrape together a pool of more than an insignificant sum with which to execute what was then considered one of the greatest and most difficult railroad projects of modern times.

The phrase monger was addicted to rhapsodizing upon the marvelous self-confidence which could initiate a huge railroad line with only a trivial sum as a starter. This was a romantic way of describing their prowess and ingenuity. But neither was the project itself of their conception, nor did they have to supply the funds. Years before they took hold of the work as a definite undertaking, the building of Pacific lines had been agitated and urged, and the Government had surveyed feasible routes.[1] Not one of the quartet knew anything of railroad construction, nor had the least fundamental knowledge of how to equip and operate a railroad.

In what direction, then, lay their ability? Purely and wholly in the line of promoting. The capitalist system was of such a fantastically inverted nature that to grasp the ownership of anything did not imply or require the ability of supervision. Railroads, factories, mines and public utility systems were generally owned by men—often by absentees—who knew nothing of any aspect of them except the one all-important phase—the budget of profit or loss.

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[1] By an act of March 3, 1853, Congress appropriated funds for the surveying, by the Army Corps of Engineers, of railroad routes from the Mississippi River to the Pacific. The results were published in 1855.

The ability of the promoter was the most necessary consideration, although not the foremost in insuring the title of ownership. Very frequently, in the case of factories and mines, promoters had to get funds from banking houses, which usually, by skillful law work, succeeded in getting those promoters into a legal snare, forcing them out, and expropriating their property. Railroad promoters, however, did not have to depend so much upon private bankers. They could draw upon Government, State and cities for advances of money. If a man, or a set of men, could succeed in bribing Congress and the legislatures to donate land grants and advance the funds, it was a very simple matter to hire highly competent civil engineers to survey and build the routes, and employ good executives to run them after they were built.

The first and prime necessity was the purchase of legislation with its corollaries—franchises, gifts and free access to the public treasuries. This done, the remainder of the program was easy. In this regard it was that Huntington and his partners showed their finesse—not an unusual finesse, by any means; its caliber was neither more nor less than that of many another capitalist, who also had been adroit in bribing legislation through.

Upon organizing the Central Pacific Railroad Company in 1861, the Huntington group could not privately raise more than about $195,000 of which amount they, themselves, put in about $50,000. This sum, ridiculously inadequate to build a railroad estimated to cost $25,000,000 was, however, enough and more than enough, for certain well-understood primary operations.

With it expenses could be defrayed at the centers of legislation; petitions and memorials concocted; advocates paid, and newspapers subsidized. If the trick were well turned, a whole succession of franchises, special laws, land grants and money subsidies would follow. Thus we see that the original capital needed in many capitalist enterprises was not for the actual prosecution of the work, but for legislative purposes. In fact, money, as an absolute requirement, could be dispensed with. For their votes, legislators (being wily, tactful and practical men) much preferred cash, but when cash could not be fingered, they conveniently took whatever "inducements" were offered. We have come across instance after instance in which embryo capitalists organized corporations, rolled off stocks and bonds (which cost the expense of engraving only) and used them, in lieu of cash, as payment for legislative votes.

If the average railroad corporation, argued the Pacific quartet, could so easily, by the simple media of bought laws, annex itself to public treasuries, what could not they do? A far more telling and impressive public argument the Huntington group had than most of their fellow railroad promoters. Already "in the fifties" there was an insistent, genuinely enthusiastic popular demand, reaching almost the proportions of a clamor, for railroad connections between coast and coast. Upon the strength of this eagerness, much bounty and booty could be extracted

At the outbreak of the Civil War the demand became irresistibly intensified by the lack of speedy intercoastal communications, both railroad and telegraph. Moreover, the popular imagination was captivated and dazzled by the immensity of the undertaking. With prevailing opinion in so favorably an assenting state, matters could be pliably molded.

THEY GET THEIR LAWS

Yet while the people, as a whole, were desirous of Pacific railroads, considerable sections of them were by no means reconciled to the corrupt legislative methods of presenting large areas of land and large advances of money for private enrichment.

The farmer, burdened by the price that he had to pay for his small farm, and often blanketed by a mortgage, did not quite approve of the squandering of the public domain for the benefit of a law-created handful of grandees. The small traders, resenting the very idea of any class above them, bitterly objected, as a class, to great capitalists being created by virtual edict of law. The alert and organized sections of the working class saw in this constant manipulation of legislative bodies another perversion of governmental power for the aggrandizement of a small and hostile class, and the rapid impetus to an overshadowing plutocracy. Aware of this general feeling, legislative assemblies had to be "induced"; they might themselves use fine-sounding and seemingly solid arguments in explaining to constituencies; but a very different incentive appealed to them; settlements had to be made in cash or its equivalent.[2]

A more temptingly opportune time for spoliative measures than the period of the Civil War could hardly have been found. Engrossed in the

[2] The California Legislature was frequently charged with corruption, but its farcical investigations of itself always resulted in whitewashing reports.

One of these scandals was that of April, 1861, when John F. McCauley charged that legislators had sought bribes from him to pass a claim that he held against the State of California. The Legislature appointed an investigating committee on April 18, 1861. (See Appendix to Journal of California Assembly, Twelfth Session, 1861, Doc. No. 15.) McCauley testified that one Wittgenstein, a go-between for Chairman Walden of the Assembly Committee on Claims, approached him and told him that for a favorable report Walden wanted $400 or $500 (pp. 2-4). In his testimony Wittgenstein admitted telling McCauley that Walden had made $7,000 or $8,000 in that way; he also admitted saying that Walden had made a large amount of money during the session. Wittgenstein substantially admitted the truth of McCauley's charges (pp. 5-11). The report, however, was a whitewashing one.

Another scandal was when the editor of the newspaper, the "American Flag," specifically charged, in 1866, that a fund of $108,000 had been expended in the Legislature by local bankers, commission merchants and importers to prevent the repeal of a law called the Specific Contract Act. He accused seven Senators of having sold their votes for $12,000 each. An investigating committee of the California Senate was appointed. One of the witnesses examined was Darius O. Mills, then a San Francisco banker, and later a prominent New York multimillionaire. He and other witnesses denied knowing anything of a corruption fund. The committee's report exonerated the accused.—"Report of Senate Committee of Investigation on Certain Charges Made by the Editor of the 'American Flag,'" Appendix to Journal of Senate and Assembly of the Legislature of California, 1866, Vol. ii.

tumultuous upheavals of those convulsive years, the people had neither the patience nor disposition to keep close track of routine enactments in Congress or in the legislatures. At the very beginning of that war the Huntington group organized the Central Pacific Railroad Company, with a capital stock of $8,500,000, nearly the whole of which capital was fictitious so far as actual investment of money was concerned. At once they directed their energies right to the core of things. Huntington betook himself to Washington to lobby in Congress, while Stanford, elected Governor of California, busied himself with similar ends at home. No visionaries were they, but practical men who knew how to proceed straightway.

Stanford's work quickly bore fruit in California; the city of Sacramento was authorized to donate $400,000; Placer County to loan $550,000, and the State of California to hand over $2,100,000. At the same time, Huntington was doing surpassing missionary duty in Congress. An act was passed in 1862 by which about $25,000,000 in Government six-per-cent. bonds and about 4,500,000 acres of public lands were placed at the disposal of the quartet. The few protests against these great gifts were immediately silenced. "Is not the Government fully protected?" the promoters innocently inquired. "Are not its loans covered by a first mortgage? If the company defaults, cannot the Government step in and recover?" This sounded plausible. Two years later, however, at the very time when (as we have seen) the Union Pacific coterie were corrupting Congress to get greater land grants and altered laws, Huntington again influenced Congress. An act was passed doubling the Central Pacific's land grant and relegating the Government's claim on the Central Pacific to the under position of a second mortgage. And, as it turned out later, the contract with the Government was so deftly drawn that, according to a decision of the Supreme Court of the United States subsequently, the Government's lien covered the main lines only, and not the branch lines. Whether this contract, as drawn, was a result of collusion with Government officials was never determined.

"Whence came the means," asked Bancroft, "by which four men with only moderate fortunes were enabled to build, buy, own and operate all the roads belonging to the Central & Southern Pacific systems? In 1869, before the last spike had been driven at Promontory, the railroad quartet, besides owning the road, had received as a loan $24,000,000 of Government bonds forming a second mortgage on the road, together with $400,000 of San Francisco bonds as an unconditional gift, $550,000 of county bonds, and $2,100,000 paid, or to be paid, by the State of California in return for services to be rendered by the company." [3]

The operations of the quartet were simple enough. Once they had obtained the requisite loans and gifts, they threw aside all pretenses, and openly and vigorously set out to defraud all within reach, not only the Federal Government, but also States, counties, cities and investors.

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[3] "History of the Pacific States," xix:62.

First, they organized a construction company, called the Credit and Finance Company. Then they made a contract with themselves to build the Central Pacific. With the aid of the loans given by Sacramento and Placer County, they built enough road to draw $848,000 from the Government as the subsidy of the first section. By repeating the process they had the entire road constructed, with scarcely the expenditure of a single dollar of their own. The next step was to load it down with a capitalization of $139,000,000[4] which was the beginning of still more stock inflation.

A HAUL OF $50,000,000

What was the total of their frauds? The report of the Pacific Railroad Commission gave no adequate idea of the immensely valuable rights and possessions of all kinds that they secured by bribery and fraud. But it does give a comprehensive account of their money and stock plunderings. "In the accounts of the Central Pacific Railroad Company," the report of the Pacific Railroad Commission of 1887 states, "the diversion of earnings for improper purposes amounted to many millions, through contracts made by Messrs. Stanford, Huntington, Hopkins and Crocker with themselves." According to this report, the cost of building 1,171 miles of road was $27,217,000, but they charged three times that sum. Here was a looting of more than fifty millions in one grand haul. In addition to cash pocketed, they issued to themselves $33,722,000 in bonds and $49,005,000 of stock. But these sums were only part of the total. The Pacific Railroad Commission's report went on to say:

"Then as directors of the Central Pacific, they took leases of their own lines for the Central Pacific for $3,400,000 per annum; which was at the rate of nearly thirteen per cent. Fifteen months ago (in 1886) three of these directors (Stanford, Huntington and Crocker) contracted with themselves to build an extension of one hundred and three miles. In payment they issued stock to the amount of $8,000,000, and bonds to the amount of $4,500,000, the market value of the stock and bonds being at the time $8,340,000. The actual cost of construction was $3,505,000, so that they personally profited by their own votes by that single transaction to the extent of $4,834,000," etc., etc.

GROSS CORRUPTION OF CONGRESS

The process of corruption and looting was continued in the building of the Southern Pacific Railroad.

In 1871 Congress chartered the Texas & Pacific Railroad to run from Marshall, Texas, to San Diego, Cal., and presented the company with approximately 18,000,000 acres of public lands on condition that the road was to be completed in ten years; otherwise the land grant was to be declared forfeited. At the same time, Congress chartered the Southern

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[4] Hudson's "Railways and the Republic": 265.

Pacific Railroad Company to build a line from El Paso, Texas, to San Francisco, and gave it a gift of about 5,000,000 acres of public lands. The Texas and Pacific project was owned by a group of capitalists headed by Scott, of the Pennsylvania Railroad; the Huntington men were at the head of the Southern Pacific Railroad Company.

These two groups of capitalists soon came into collision; each fiercely sought to oust the other, and gain an undisputed monopoly of transportation in the territory in question. The fight was carried into Congress; each side caused the introduction of bills aimed at crippling the other. The contest then narrowed to a question of which group could corrupt Congress the more effectually.

"Scott," wrote Huntington on January 29, 1876, "is making a terrible effort to pass his bill, and he has many advantages with his railroad running out from Washington in almost every direction, on which he gives Free Passes to everyone who can help him ever so little. . . . It has cost money to fix things, so I know his bill would not pass. I believe with $200,000 we can pass our bill." [5]

On March 6, 1876, Huntington wrote that "the Railroad Committee of the House was set up for Scott, and it has been a very difficult matter to switch a majority of the Committee from him, but I think it has been done." On November 11, 1876, Huntington wrote further to one of his associates, "I am glad to learn that you will send to this office $2,000,000 by the first of January." On May 3, 1878, he notified his partners: "The T. and P. folks are working hard on their bill and say they are sure to pass it, but I do not believe it. They offered one member of Congress $1,000 cash down, $5,000 when the bill was passed and $10,000 of the bonds when they got them if he would vote for the bill." [6]

Huntington came out victorious. "There is no room for doubt," reported the Pacific Railroads Commission of 1887, "that a large portion of $4,818,535 was used for the purpose of influencing legislation, and preventing the passage of measures deemed hostile to the interests of the company, and for the purpose of influencing elections." [7]

The next thing the Huntington group did was to force the Eastern capitalists out of the Texas and Pacific Railroad, absorb that line into their own system, and illegally grab the eighteen million-acre land grant of the Texas & Pacific. Even under the law, as it stood, the Texas & Pacific was not entitled to the land grant. The House Committee on Judiciary on August 3, 1882, after an investigation, declared that the Texas and Pacific Railroad Company had never completed any part of the route for which the land grant in New Mexico, Arizona and California was given; that it "had never earned the grant"; that it did not purpose to build the road for which it was chartered and endowed, and that it was transferring to the Southern Pacific Railroad Company "all of the rights and titles to the land in question." [8] The Committee on Judiciary prepared a resolution declaring the forfeiture of the land grant, and urged its passage by Congress as a joint resolution. It did not pass.

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[5] We have seen, in the narration of the Gould fortune, how Scott had been placed in charge of the Government supervision of railroad transportation during the Civil War, and how a Congressional committee had exposed the immense extortions in conveying soldiers, equipment and supplies that some of the Northern railroads successfully carried on immediately following his appointment.

[6] There were many of these letters; we have already given a glimpse of one of them in a previous chapter. They came to light (as noted in that chapter) in a lawsuit between two factions. They were published in full in "Driven from Sea to Sea," by C. C. Post.

"It is impossible," reported the Pacific Railroad Commission in 1887, "to read the evidence of C. P. Huntington and Leland Stanford and the Colton letters without reaching the conclusion that very large sums of money have been improperly used in connection with legislation."—Vol. i:121. Huntington was accustomed to boasting of his method of bribery, "Whenever possible I always try to pay in checks, for the men who take them are ever afterward my slaves."

[7] Report of U. S. Pacific Railway Commission, i:84.

A SUMMARY OF THEIR PLUNDERINGS

Presenting the general results as nearly as official investigations could ascertain them, this is what Huntington and his associates did: They had received hundreds of millions of dollars in the form of money, bonds and lands from Government, States, counties and municipalities. As controllers of the Contract and Finance Company and other construction companies, they had turned over to themselves $142,000,000 in all for ostensible construction work. They had expended at least five millions for corrupt political purposes. They had stupendously watered the stock of their railroads, and with the cumulative proceeds had secured control of nineteen distinct railway systems and of steamship lines, also. They had, by fraud, obtained from the Government many millions of acres of land; they had defrauded the Government of the bulk of the funds that it had advanced; they refused to pay more than the merest nominal taxation, and they extorted onerous rates for transportation.

Such was the general summary of their acts as set forth in the report of the Pacific Railroads Commission. "From the evils of subsidy-giving," wrote Bancroft,

> the country suffered for many years. The population was shifting the available resources of the State [California] few; but notwithstanding, there was hardly a county in it that by 1870 had not burdened itself with a debt of from $100,000 to $300,000 at a high rate of interest, to run in some instances sixty years. Companies incorporated under a general law besieged the Legislature annually to pass acts authorizing the people to vote on incurring this indebtedness; newspapers paraded the benefits to be received from every railroad scheme, often without knowing whether it had any merit. Thus, urged by the Legislature and the press, the people passed under the rod with the greatest equanimity.[9]

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[8] House Report No. 1803, Forty-seventh Congress, Second Session.

[9] Bancroft's "History of the Pacific States," xix:564.

Bancroft related further: "It is a fact in California commercial history that hardly could the reader of a city daily or a country weekly open his newspaper without finding therein some complaint against railroad management, especially applying to freight charges." The railroads were "apt to fix the rates on a given article 'all it would bear.' "[10] This description applied not only to California but to every State and Territory reached directly or indirectly by railroads. The very people whose representatives had given public property so lavishly to a few, were robbed in every manner that ingenuity could formulate. Not only was the public plundered; Huntington and his associates ground out their own lesser stockholders by the same methods that Gould and Sage used, and also, like Gould and Sage, they caused losses to a horde of confiding investors.

The disillusioning of the people of the Pacific States was reflected in the messages of the various Governors. Only a few years previously, the Governors of California and other States had urged the Legislatures to be extremely generous in donating large bounties to railroad projectors and other capitalists. They wrote rapturously of the great public benefits certain to come from the construction of railroads, and praised the railroad promoters as men of the loftiest public spirit. Soon a decided change came over the spirit of these messages. Bitter complaints of extortion and robbery succeeded glowing encomiums. In his message to the California Legislature, in 1869, Governor H. H. Haight had this to say:

> . . . Our land system seems to be mainly formed to facilitate the acquisition of large bodies of land by capitalists or corporations, either as donations, or at nominal prices. . . . Numbers who purchased from the State lands sold as swamp or overflowed, find their farms claimed under the railroad grants, and themselves involved in expensive contests before Registers of Land Offices.[11]

In his inaugural address, delivered on December 8, 1871, Governor Newton Booth of California expressed himself:

> The undue political influence and financial control that many corporations have assumed, is not the only evil presented by them. In their internal administration, between majorities and minorities, directors and stockholders, cases of the grossest injustice are constantly arising. It is not uncommon to find one class of stockholders enriching themselves from a company which impoverishes another. . . . The organization of corporations within corporations is a refinement of subtlety and fraud which should be positively prevented by law.[12]

After describing the Central Pacific Railroad's system of discrimination in fares and freights, "a grievous burden, so long and patiently endured by our people," Governor John H. Kinkhead of Nevada wrote to the Legislature of that State in 1879:

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[10] "History of the Pacific States," xix:628.

[11] First Biennial Message, etc., 6.

[12] Inaugural Address of Gov. Newton Booth, etc., 10-11.

> Grave, and I believe well-grounded, complaint is made concerning the valuation of railroad property for taxation. The owners of this species of property are granted exceptional privileges, and should be made to bear their equal part of all of the expenses of Government.

Not one of these messages had any vital result. In some instances they were sincere, but, as a rule, they were intended to be nothing more than wordy sops to appease middle-class public opinion.[13] Some of the very Governors who wrote them with such a display of earnestness were put in power and controlled by the corporations of which they complained. The legislatures were wholly under the domination of the great private corporations, and the judiciary almost wholly so. Year after year, the different Governors denounced corporate practices, and demanded corrective legislation, which never came. Two and three decades after Governor Newton Booth's denunciation, Governors were still writing similar futile messages.

Acclaimed at first as public benefactors, Huntington and his associates were subjected to the fiercest denunciation when the people realized the enormous frauds that they had committed. For the frauds, of which an epitome has been here given, were only a portion of the total. It is hardly necessary to plunge into the tortuous mass and maze of detail; how they resorted to nimble subterfuges to escape their obligations, and defrauded the Government; how they corrupted and ruled States and Territories, and seized hold of one possession after another; and how, through their control of political machinery, they sent Representatives and Senators to Washington as though they were so many errand boys. The Pacific quartet were among the first of the magnates to come out into the open and exercise political power directly, instead of intrusting it to retainers. To have one of their own members in the United States Senate, there to keep alert for their interests, they caused the California Legislature, in 1887, to elect Stanford to that body.

Hopkins died in 1876. His widow inherited his wealth and remarried. Her second husband was Edward F. Searles, a Massachusetts interior decorator who, in 1881, went to California to improve his health, and did some work in her mansion there. Subsequently she had him design and supervise the decoration of Kellogg Terrace, her summer home, which cost $2,000,000 at Great Barrington, Mass. She was twenty years his senior. They were married in New York, in 1887. When Mrs. Searles died in 1891, her will was contested by her adopted son, Timothy Hopkins. But a settlement of the suit was made. Searles received a large share of the estate, including a part ownership in the Southern Pacific Railroad. As a multimillionaire Searles was a determined recluse and a dominating personality; high walls surrounding his large estate at Methuen, Mass. afforded him the complete privacy he cherished. He died in 1920, leaving the bulk of his estate to Arthur T. Walker, his secretary. Dissatisfied with the terms of the will, which gave him $250,000, an artist nephew of Searles brought a contesting suit. But although none of the relatives succeeded in breaking the will, a settlement, it was reported, was made granting the nephew a sum exceeding $4,000,000. And, to carry the sequel a step further, Walker, now the possessor of many millions, did not in the least change the mode of life to which he had been accustomed when drawing $50 a week for his secretarial work. He continued living in his two-room apartment in Pierrepont Street, Brooklyn; a reporter who called there not quite a year before Walker's death—which happened in 1927—found that in the six years of his wealth he had not replenished his furniture by the purchase of a single new piece.

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[13] The merchants, manufacturers and importers who had applauded and banqueted Huntington and his associates only a few years previously, were now caustically denouncing them. For example, "A Petition of the Citizens of San Francisco Relative to the Arbitrary Exactions And Injustices of Railroad Companies." Nearly all of the signers were business firms. They complained, in this petition, of the "arbitrary exactions and injustice of railroad companies," and demanded State regulations.—Appendix to California Senate and Assembly Journal, Twentieth Session, 1874, Vol. iv, Doc. No. 8.

Crocker died in 1888 and left a fortune nominally estimated at $40,000,000. Stanford's wealth was so great that he, like the Astors, the Vanderbilts, Goulds and other magnates, was forced to the necessity of investing the surplus. Part of his many millions was put into San Francisco street railways,[14] of which system he owned a one-fourth share, and from which he derived ten per cent. a year. Other millions were invested in other forms of property. He became a great landed proprietor. He owned the immense Vina vineyard, comprising 100,000 acres of land; the Palo Alto ranch, with its extensive breeding establishment and its great vineyards, and he owned much other real estate in San Francisco and elsewhere. From his stocks and lands he received, it was estimated, an income of $1,000,000 a year.

Up to 1885 Stanford had been merely a financier, so-called, praised by some as a great railroad builder, by others as a colossal looter. Now he became a full-fledged philanthropist by giving property worth many millions for the establishment of the Leland Stanford, Jr., University.

STANFORD IN THE UNITED STATES SENATE

As a United States Senator, Stanford's salary was $5,000 a year; he spent $75,000 every session; it was a pastime of this man to throw twenty-dollar gold pieces to the newsboys. His chief business in Washington was to prevent the Government from taking genuine action compelling him and his band to disgorge; to stifle all hostile proceedings, and to get through laws giving more franchises, land, waterway rights and special privileges, and to secure license for extortions. On the whole, he succeeded. This ponderous magnate, weighing two hundred and thirty-four pounds, was the political wire-puller of the quartet, while Huntington was the crafty financier, full of sharp tricks and devious contrivances. When Stanford died, in 1893, his estate was appraised as nominally worth about $18,000,000, but its size was considerably greater. He had given large sums for the Leland Stanford, Jr., University, and in his will he provided more millions. The remainder of his estate went to his widow, who likewise gave donations to this university; in all, Mr. and Mrs. Stanford presented fully $30,000,000 for the establishment, expansion and perpetuation of the institution named after their son.

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[14] Developments in San Francisco in 1907 showing how bribery was used in getting street railway franchises were but an indication of the corrupt methods long prevailing.

The fortune plucked by Huntington was greater than that of any of the others of the quartet. At his death, in 1900, it was estimated at from $50,000,000 to $80,000,000. It embraced interests in a vast number of railroad, steamship and other corporations—interests which he had bought with his share of the Pacific railroads' loot, or had engineered into his control. A favorite boast of his at one time was that he could travel from the Atlantic to the Pacific in his own cars and over his own rails, and that he could also, if he chose, sail in his own steamships from Brazil to New York, from thence to Colon, from Panama to San Francisco, and from there to Yokohama and Hongkong. His power was gigantic; he controlled the economic life of millions of workers, and dictated the government of a half dozen States. His plunder was intact. In 1894 he was quoted as saying in answer to a report: "I never made any exhibition of $44,000,000 of bonds, although I could have displayed twice as much in amount."

THEY BECOME ARISTOCRATS

No intelligent person was unaware of the methods through which Huntington, Stanford, Crocker and Hopkins had plowed to squeeze their wealth. Yet, while severely denounced, they did not have to meet the same taunts and revilings constantly cast at Jay Gould. Essentially they were of the same stripe as Gould, but Gould was held up to popular maledictions as a railroad wrecker, while criticism of the Huntington group was always tempered with the remark, "Well, if they took colossal sums, they at least constructed great railways and were big factors in the development of the country." And they had no difficulty in getting instant entree into what was represented as the "best society." No question was raised as to their eligibility. By power of money they at once became a part of the financial aristocracy. Also, by this same power of money, Huntington's adopted daughter entered with ease the fine circle of European titled aristocracy; she married Prince Hatzfeldt, in 1889, and received a paternal present of several million dollars.

Collis P. Huntington lived like a grandee—at least residentially. He had a mansion in San Francisco; a superb place in the Adirondacks, for which he paid $250,000; a palatial country home at Throgg's Neck, N. Y.; and he built, at an expense of millions, an impressive pile at Fifth avenue and Fifty-seventh street, New York City.[15]—that aristocratic avenue whither so many magnates, after a career of fraud and theft, came to ensconce themselves in befitting grandeur. Eight years were spent in building, at a cost of $250,000, a mausoleum in Woodlawn Cemetery—a classic, capacious tomb of marble.

And there his remains now lie. After his death in 1900 the inventory of his estate showed that his wealth was apparently about $60,000,000; unquestionably it totalled a much larger sum.

His widow inherited the major share, Princess Hatzfeldt $2,000,000, and a large share was bequeathed to his nephew, Henry Edwards Huntington. He had been divorced in 1906 by his first wife; and in 1913 widow and nephew united their wealth by marriage. Mrs. Huntington died in 1924 leaving an estate estimated at $35,000,000 of which $30,000,000 went, it was stated, to an adopted son, a considerable sum to Princess Hatzfeldt, various amounts to relatives, and other bequests to public museums and institutions. Her collection of jewels was valued at $1,274,904. Three years later Henry Edwards Huntington died; although he had been projected into the transportation business, his life passion was the collection of rare books. In the gratification of this aim he spent millions. His collections were placed in a library which he established at San Marino, Cal. This library, named after him, became a public institution in 1927. Aside from its objects of art, it contained in 1931 fully 175,000 bound volumes and between 800,000 and 1,000,000 manuscripts, mostly a collection of source materials of British and American thought and culture. A trust fund of $8,000,000 had been set aside by Henry E. Huntington for research in American and English history, and the income, it was provided, was for the creation of fellowships for scholars pursuing historical research and for like purposes. He also left a fund of $2,000,000 to establish and endow a memorial in Los Angeles to his uncle—the Collis P. and Howard E. Huntington Memorial Hospital. Four trust funds for $1,000,000 each were created for his sister and three daughters, the latter also receiving part of the residuary estate. Princess Hatzfeldt died in 1928; her estate was appraised at $1,585,000 net.

CONTROL PASSES TO HARRIMAN

But what became of the control of the railroad and steamship lines which Collis P. Huntington and his colleagues had dominated? The Southern Pacific Railroad was a huge prize, and Harriman well knew its worth. Apart from its transportation value, the company operating it owned colossal timber resources which had come into its possession by the grants of public domain. In fact, its holdings and those of its subsidiaries of more than 105,000,000,000 feet of standing timber was the largest single holding in the United States. This represented nearly one-twentieth of the total privately owned timber in the entire country. The company's immense timber areas stretched virtually all of the way from Portland, Ore., to Sacramento in a vast extent of grants owned by the Oregon and California Railroad Company and the Central Pacific Railroad Company, both subsidiaries of the Southern Pacific, and the land still thus held was but the unsold portion of the original grants. In almost this entire strip of territory, 60 miles wide and 683 miles long, the Southern Pacific Railroad Company was "the dominating owner of both timber and land." About 71 billion feet of the Southern Pacific timber was in Oregon, and about 35 billion feet in California.[16]

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[15] But after it was completed he could never be persuaded to live in it. His reason was a belief in the superstition that men build houses only to die in them. This mansion, however, was used by his widow, and after her death, was sold for $3,800,000 in 1925 and razed to make way for a modern business building.

A year after Collis P. Huntington's death, the Union Pacific Railroad Company, under Harriman's overlordship, busied itself with the first move to get control of the Southern Pacific Railroad. Dominancy over this line was only part of Harriman's ambitious projects which included the gathering under his personal direction of all of the railroads crossing the continent, or as many of them as possible. This accomplished, he would then be able to remove competition, and accordingly by the raising of rates, greatly augment revenues. Law forbade such a plan, but he went ahead in cool defiance of statutes. As for the needed money he obtained this by the aid of printing presses. He caused to be issued by the Union Pacific Railroad Company $100,000,000 of bonds, convertible into stock. It was with the proceeds of these bonds that control of the Southern Pacific as well as an available majority of the Northern Pacific Railway Company stock was purchased.

At this point we shall deal with the Southern Pacific only, leaving the story of the contest over the Northern Pacific to be told elsewhere in this volume. The Union Pacific acquired 750,000 shares of Southern Pacific stock. A later purchase of 150,000 more shares brought the total to 900,000 shares, or the ownership by the Union Pacific Railroad Company of more than 45 per cent of Southern Pacific Railroad stock. Still later, when the Southern Pacific issued preferred stock, the Union Pacific subscribed for 180,000 shares. By 1907 the Union Pacific owned 1,080,000 of the 2,374,180 Southern Pacific shares outstanding. With this feat accomplished, the Southern Pacific Railroad ceased to be a competitor for transcontinental traffic. And competition was further suppressed when the Union Pacific and the Southern Pacific steamship companies were consolidated.

At his command, Harriman had the necessary money resources. In addition to the backing of bankers, he found the Equitable Life Assurance Company, of New York, with its more than $400,000,000 of policy holders' assets, a serviceable agency. He had become a director of that company in May 1901, and in the same month he borrowed $2,700,000. Harriman made young James Hazen Hyde, whose inherited stock holdings gave him control of the Equitable, a director of the Union Pacific Railroad Company. More than $10,000,000 of Union Pacific bonds were sold to the Equitable, and there were other dealings. Year after year Harriman extended his control over railroads until he dominated seventeen systems.

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[16] Report U. S. Commissioner of Corporations on the Lumber Industry, 1911, Part 1:25. "A very significant fact, in connection with this enormous holding, the report stated, "is that the Southern Pacific Company is not selling its timber, but is holding this valuable supply, evidently in the confident hope of a further great advance of price."

The effect of his Pacific railroad operations, according to the report of the Interstate Commerce Commission in 1907, was "to unify and amalgamate the management" of the Union Pacific and the Southern Pacific railroad companies, "and to eliminate competition between them in transcontinental business and in business to and from oriental ports."

HARRIMAN'S IMMUNITY AND POWER

This was a manifestly glaring violation of law, and the report stressed the fact: "It is contrary to public policy, as well as unlawful, for railways to acquire control of parallel and competing lines. This policy is expressed in the Federal laws and in the constitutions and laws of nearly every State in the Union. We have examined the constitutions and laws of all of the States and we find in about forty of them prohibitions against consolidation of capital stock or franchises of competing railways, or the purchase and acquisition by a railway of competing lines. . . ." Elsewhere the report indicated the complete freedom, domination and mastery that Harriman possessed: "Mr. Harriman may journey by steamship from New York to New Orleans, across the Pacific Ocean to China, and returning by another route to the United States, may go to Ogden by any of three rail lines, and thence to Kansas City or Omaha, without leaving the deck or platform of a carrier which he controls and without duplicating any part of his journey." [17]

The investigators of the Interstate Commerce Commission were amazed at Harriman's bold strokes and his facility in borrowing great sums on bonds of one railroad to gain control of another. But if, in presenting the lawless methods of his gigantic merger, there was any expectation of civil and criminal proceedings by Federal or other prosecuting officials, it was illusory. A leading decision of the Supreme Court of the United States in 1904, in dealing with the Sherman Anti-Trust Act, had declared all combinations in restraint of trade, illegal, whether those combinations were reasonable or unreasonable. In the entire history of American railroads, there had never been such a one-man power as Harriman possessed.

A number of important newspapers editorially asked why no criminal proceedings had been instituted? Published criticism of Harriman was widespread and severe; there were repeated thunderous editorials on

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[17] Interstate Commerce Commission, Report No. 943: 321, 347.

"Harriman corruption," and he was denounced as a "stock-jobber, looter and political corruptionist." If such characterizations were libelous, he could have applied to the courts for redress. But, so long as he was allowed to do as he pleased, he apparently did not care what was said about him. As his triumphant vindication, he or his spokesmen pointed out how considerably Union Pacific Railroad income had increased under his dominancy. No explanation was given as to how he accomplished this, but the findings of the Interstate Commerce Commission supplied at least part of the answer: with the effacement of competition, revenues were greater. On one of the rare times Harriman did speak for publication, he announced that in so far as Anti-Trust law was concerned, the fault did not lie with him but with the law, and rather with its administration which he declared "has gone too far."

He had no cause, however, to make this complaint; notwithstanding all of President Theodore Roosevelt's fiery breathings against "malefactors of great wealth," Harriman, as well as other money magnates, remained exempt from prosecution. The uninfluential offender, many a commentator pointed out, could not venture to criticise laws as unsatisfactory; in dealing with him law was strictly construed law. It was at this precise time that some petty political bosses in San Francisco and elsewhere were being sent to prison for corruption and bribery. It was at about this time, too, as well as later, that the prosecuting machinery was quick to act against racketeering labor union officials. For labor organizations had not only become infested with machine politics, but in some of them the heads used their power to extort money from employers for prompting [18] or "calling off" strikes, as the employers' interest required. A dying consumptive, Sam Parks, a labor leader, was promptly prosecuted and convicted in New York City, and sentenced to prison where he soon died.

But Harriman was untroubled. On one occasion—in 1908—some stockholders made a formal demand upon the Board of Directors of the Union Pacific Railroad Company that suit for restitution be brought against him and his fellow directors. Harriman and his associates were charged with having caused a loss of more than $40,000,000 to Union Pacific stockholders in his stockmarket operations with the railroad company's funds. The Company's Board of Directors refused to accede to the demand, and exonerated Harriman from the charges.

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[18] Big construction companies bribed walking delegates to declare strikes on buildings being put up by rival contractors in order that it—the briber—might be able to get a reputation for building within contract time, and thus exclude competitors from getting further contracts. However, the time soon came when labor union extortioners—or racketeers as they are now termed—needed no prompting from any source. By terroristic methods in certain unions they forced their election as heads, and used their power to exact tribute from employers, reaping large sums from a process of intimidating methods. Several of these racketeers were convicted and sent to prison.

HARRIMAN'S DOMINION AND HIS DEATH

Wonder was expressed how a man of Harriman's slight physique could carry the burden of administering his great network of properties. His body was wasted to a shadow but his mind was incessantly active. By 1909 his system covered 18,000 miles of railway, employing 80,000 men, and Atlantic and Pacific steamship lines traversing 54,000 miles of water. But his acquisitive ambition was boundless. At 61 years of age he was thoroughly worn out, yet he planned, it was reported, to acquire the Vanderbilt holdings in the New York Central Railroad. It was only upon the urgent advice of his physicians that he consented to retire.

He had a New York City mansion of fifty rooms at the northeast corner of Fifth avenue and Sixty-ninth street. He spent millions of dollars in creating for himself a great estate of 50,000 acres in the Ramapo mountain range. One of his summer homes was not isolated enough to suit him, and he built a new one, containing more than 150 rooms on the summit of West Mountain, the highest peak, near Arden, New York. To prevent strangers from approaching within five miles of this home, he even bought a roadway from the Town Board of Woodbury. This was the house that was prepared for his homecoming when he returned from Salzburg, Austria, where he was under treatment. When he did return to New York, on August 24, 1908, his physical exhaustion was evident, but with his old assurance he insisted that he was "feeling fine." He died a little more than two weeks later.

His will disposed of an estate estimated then at more than $100,000,000, although later the amount was placed at less. His will was one of remarkable brevity and was exceptional in that it created no inheritance trust of any kind. He had sons and daughters but in a few lines he bequeathed his entire estate to his wife. Mrs. Harriman gave 10,000 acres of land to the State of New York for the Interstate Palisade Park, $1,000,000 in money for the creation of a playground called Harriman Park, and showered other benefactions. In 1916 she deeded the Ramapo Mountain mansion to the elder of her sons, William Averell Harriman who became president of a banking firm bearing his name, and director of a large number of corporations. Mrs. Harriman died in 1932 at the age of 81; William Averell Harriman had taken over the management of much of the vast estate left by his father. The Harriman mansion on Fifth avenue, vacant since Mrs. Harriman's death, was sold in 1935, in which year it was assessed at $810,000, of which $700,000 was placed as land value.

In the report on family railroad stock holdings submitted in 1931 by the House of Representatives Committee on Interstate and Foreign Commerce, the Harrimans were listed as one of the large possessors. The Harrimans then owned these principal blocks of stocks: 15,152 shares of Southern Pacific; 20,400 shares of Texas and Pacific; 36,340 shares of Union Pacific; and 23,128 preferred shares of Union Pacific. In proportion to the entire stock issues outstanding, these constituted small percentages. But as blocks in the hands of a single family their power was large; they could be voted as a unit while the mass of stockholders owning a few shares individually did not concern themselves with participation in voting.

At the time, William Averell Harriman was a railroad and steamship power; a director of the Illinois Central Railroad in which the Union Pacific had a large interest; a director of the Central of Georgia Railway, the Ocean Steamship Company, the United American Line, and a variety of other corporations. On July 14, 1932, the announcement was made that he had been elected Chairman of the Union Pacific Railroad Board of Directors, and by virtue of that position he also became Chairman of several subsidiary railroads in States on the Pacific Coast. In various articles he was praised as a man who, instead of trifling away his time as many millionaires' sons had done, had qualified himself to succeed his father as an efficient business administrator. A list of big share holdings made public by the Securities and Exchange Commission, on July 16, 1936, showed that two members of the Harriman family owned together 28,416 shares of Union Pacific Common stock, and both were Directors of that company. They seem to have emerged fairly well from a calamitous and long industrial depression which stripped so many persons of every possession.

Chapter XIX

J. PIERPONT MORGAN'S GENESIS

DID ever a man of wealth lave more in panegyrics than that conquering money hero of bygone decades, J. Pierpont Morgan? Long since, his fame was trumpeted to the four quarters of the earth. His copious praises were chanted with an extravagance that in the case of anyone else would have been rejected as turgid. Most mighty patriot and unexcelled public-spirited citizen, great financier and noble philanthropist, marvelous "captain of industry" and conservator of the social structure, friend of kings, and king among men—these were but a selected few of the apotheoses too often seriously accepted by the people at large. One writer in particular, raptly reaching up for a large expression of homage, touched almost the climax of adoration in emblazoning him, "Morgan the Magnificent." [1]

MORGAN'S EXQUSITE REPUTATION

Many a hired or acquiescent scribe, plying well his trade, reeled out his effusions; and the total of these produced a certain settled, aggregate public opinion which looked up to Morgan with unabated awe and admiration. In the firmament of wealth no man shone out more dazzlingly than he.

If ever there thrived a money potentate whose fortune was preëminently eulogized as having been acquired by purity of method, that man was J. Pierpont Morgan. Not once was he subjected to strictures of "tainted wealth," nor at any time had he to fight an inimical public opinion such as Jay Gould had to in his day, and as Rockefeller encountered throughout his active career. During the last thirty-five years Morgan was overwhelmed with laudations of every character. Sporadically, perhaps, some unshackled spirit in Congress or on the public platform might rise to break abruptly in upon this outpouring of flattery by venturing criticisms or revelations. But these irruptions passed idly by, hardly noticed in the general, continuous deluge of encomiums.

The praises, abundant enough, bestowed upon other magnates, paled beside those heaped upon Morgan. Without question, he was held aloft as the most extraordinary financier of all. His feats in this regard were recounted as though they bordered upon the miraculous. As a railroad and industrial magnate he was interminably glorified. But fully as much so was he held up to the world's admiration as a philanthropist and a man of versatile parts and benevolences; an encourager and patron of Art, a lover of Literature, a Crœsus with a mind capable of at once grasping the most intricate details of finance and reveling in the beauties and understanding of the Fine Arts.

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[1] Under this title, an article by a "popular writer" appeared in "Pearson's Maga zine," issue of February, 1908.

In all of the mass of reiterated, embellished accounts turned out about Morgan's career, there was no particle of truth save one undisputed fact. Undeniably he was one of the towering, aggressive money monarchs of the United States. What did he not own or control? Scan the conglomeration of properties dominated exclusively by him, or jointly with others. What a bewildering list! The mind is taxed at inventorying them, and forbears enumeration. Banking institutions and railroads, industrial plants and mines, land, public utility systems and shares, steamships, publishing houses and newspapers—all his, or partially so. Morgan is supereminently one of the "Christian men to whom God in His infinite wisdom has confided the property interests of the country."

Let us scrutinize the career of this man whom God was alleged to have chosen as a trustee for the stewardship of the nation's property, and for the guidance of its welfare.

Foulest of all foul blasphemies would it be to interrogate the divine choice of lieutenants or derogate from them. Yet inasmuch as those who made such emphatic claims of heavenly appointment were not able to produce their credentials (although earnestly beseeched to do so), we fallible mortals shall have to fall back upon mere human standards of judgment. We shall have to consider Morgan by the light of terrestrial evidence—perhaps a poor method, but the only one within our horizon.

NOT QUITE A "SELF-MADE MAN"

Morgan was not one of those magnates coming wholly under the classification of being a "self-made man."

This phrase, used with so unctuous an effect in contemporaneous descriptions of rich men's careers, was never applied to Morgan. For once, there was a break-off in the almost unvarying run of similitudes. Of the early careers of nearly all other multimillionaires the same story was mechanically written by glorifying writers; how these men started out as poor boys, opened a little store somewhere, saved money and gradually worked up to wealth. In the nineteenth century the term "self-made man" was invested with an inordinate importance as signifying great personal energy and ability; so much credit was supposed to attach to it that it was always mentioned with praise and received with pride. The object of its application was pointed out as a man who, possessing no original advantages, overcame all obstacles by sheer force of skill and determination, and achieved wealth.

This, however, could not be said of J. Pierpont Morgan. His father, Junius S. Morgan, was a millionaire. Ascending by successive steps from the positions of farmer boy, dry goods clerk, bank clerk and commercial man, Junius S. Morgan became a partner of George Peabody in the banking business. When the Civil War came on, George Peabody & Company were appointed the financial representatives in England of the United States Government. Synchronously with this appointment their wealth suddenly began to pile up; where hitherto they had amassed riches by stages not remarkably rapid, they now added many millions within a very few years.

HIS FATHER'S CAREER

How did they contrive to do it? Biographical narratives averred that it was done by legitimate banking methods, although what were those methods was not explained. But if we are to believe the comments and criticisms appearing in the American newspapers of the time, their methods were not only very far from being legitimate, but were within the pale of the most active treason. The Constitution of the United States defines treason as consisting in citizens levying war upon the nation, or in giving aid and comfort to the enemy. According to writers of the day, the methods of George Peabody & Company were of such a character as to be not only treasonable, but double treason, in that, while in the very act of giving insidious aid to the enemy, George Peabody & Company were the financial plenipotentiaries of the United States Government, and were being well paid to advance its interests.

An article for example, published in the Springfield *Republican*[2] in October, 1866, asserted: "For all who know anything of the subject know very well that he [Peabody] and his partners in London gave us no faith and no help in our struggle for national existence. They participated to the full in the common English distrust of our cause and our success, and talked and acted for the South rather than for the nation."

Evidently, it was the sight of the large benefactions which Peabody was then giving that prompted the remarks upon the origin of his fortune.

MILLIONS FROM ALLEGED TREASON

The writer of this article went on to say that George Peabody & Company swelled the feeling of doubt abroad, and speculated upon it. "No individuals," he continued, "contributed so much to flooding our money markets with the evidences of our debt in Europe, and breaking down their prices and weakening financial confidence in our nationality than George Peabody & Company, and none made more money by the operation. All the money, and more, we presume, that Mr. Peabody is giving away so lavishly among our institutions of learning was gained by the speculations of his house in our misfortunes."[3] A writer in the New York

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[2] This newspaper enjoyed the reputation of being extremely careful and accurate.

[3] This article was also published in the New York Times, issue of October 31 1866.

"We have in this country," wrote Cloud in his "Monopolies and the People," pub-

Evening Post, issue of October 26, 1866, also made the same statements, accusing Peabody and Junius S. Morgan of using their positions as United States financial representatives to undermine the very cause that they were paid to represent, and profiting heavily from their treachery.

These are a few of the newspaper comments then current. Whether they were all true, or partially true, or not true at all, we do not know; no confirmation of them can be found in official records. The statements are given here for what they may be worth.[4] But it should be remembered that not the one-thousandth part of what was going on in the world of capitalism ever found its way into official documents. Reasoning from conditions prevailing at the time, it is more than likely that the accusations were by no means ill-founded.

YOUNG MORGAN'S ENVIRONMENT

In the chapters on the Vanderbilt and the Gould fortunes an abundance of facts from the Government records have been presented, depicting how every part of the capitalist class was engaged in the most gigantic frauds and swindles upon the Government during the Civil War. To add to this collocation would be superfluous were it not necessary to bring out clearly in each case the prevailing methods, influences and conditions, and to show that particular acts were not those of individuals so much as of a class. Peabody and the elder Morgan were but following the standards of their class, the capitalist order of society, and the lessons which young J. Pierpont Morgan imbibed were those taught in exemplary fashion by the whole of the class. To describe his transactions with a precipitate abruptness of treatment, while omitting a perspective upon his times, would afford no understanding of the molding forces in operation, and would be prejudicial and without aim.

In every department of business the most persistent and gigantic

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lished in 1873, "a moneyed aristocracy, composed mainly of men who speculated in their country's misfortunes during the late Civil War, and who under pretense of aiding the Government, made their twenty, fifty and one hundred per cent. and amassed large fortunes by taking advantage of the tide of war as it submerged a nation's hopes."—p. 227.

[4] Regarding another of Peabody's transactions, however, certain definite facts are embodied in official documents. From these documents it would conclusively appear that Peabody had been long carrying on methods somewhat similar to those that he was accused of profiting by during the Civil War.

In 1839 the Chesapeake and Ohio Canal Company found occasion to complain bitterly of Peabody's methods as its financial representative in London. The stock of this company was secured by bonds issued by the State of Maryland as pledge for its debt. Peabody sold these bonds in Europe at ruinous discounts, and with large sums of money belonging to the company in his possession, refused to honor its bills. By this process he made large profits. His excuse was the critical condition of the European money markets. The directors of the company formally approved his action, probably to let him out gracefully, but were glad to accept his resignation.—U. S. Senate Documents, First Session, Twenty-sixth Congress, 1839-40, Vol. viii, Doc. No. 610. This document contains the full correspondence between the company and Peabody.

frauds had long been committed by capitalists, and grew to enormous proportions during the Civil War. Not only were those rich bribers and defrauders secure from punishment, but they had little difficulty in keeping all, or nearly all, of the wealth thus acquired, and investing much of it in other channels. It is advisable to advert here again to the practices of that large body of importers who had already acquired consequential fortunes, and who, when Morgan was just starting out, occupied a superior position as respectable, conspicuous and patriotic "leading citizens."

In the one prolific field of defrauding the Government of customs dues, large private fortunes had already been amassed by the year 1860. In preceding volumes we have given instance after instance, particularly the enormous frauds of Phelps, Dodge & Company. But those instances were only a few of an immense total.

A Congressional report in 1850 specified 2,062 different cases of fraudulent undervaluations on the part of nearly as many importers at Boston, Philadelphia, New York and New Orleans.[5] Replying to a resolution of the United States Senate calling for a statement of measures adopted to prevent frauds upon the revenue, U. S. Secretary of the Treasury Corwin reported [6] that the honest trader had no opportunity in business. "All the frauds," he wrote, "which can be perpetrated by double invoices and false valuations continue without abatement. Honest merchants and fair traders have been driven from the business of importing foreign merchandise, being unable to compete with the dishonest practices that prevail and which our present system favors. . . . The means at the disposal of this department are entirely inadequate to such an examination of imports as will effectually suppress the systematic frauds known to be extensively perpetrated."

Thirteen years later Edwin Jordan, Solicitor for the United States Treasury Department, reported the same state of affairs. Describing the custom house frauds at New York, he reported, on January 25, 1863, to Chase, Secretary of the Treasury [7] "that frauds in the importation of foreign merchandise are extensively, constantly and systematically carried on. They are effected in various ways." One method, Jordan wrote, was that of considerable direct smuggling of jewelry, laces, rich silks and other costly goods carried on the person, often with the connivance of the revenue officers. Jordan continued:

> But probably, the usual mode in which frauds are committed is by the use of invoices, in which the goods to which they relate are falsely described, or undervalued. Sometimes the importer relies upon the inability of the revenue officers to detect such false description or undervaluation, and sometimes upon his own power by corruption, to induce them to pass the goods, with a

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[5] Ex. Documents, Second Session, Thirty-first Congress, 1850-51, Vol. v, Ex. Doc No. 44.

[6] U. S. Senate Documents, 1849-50, Vol. xiv, Doc. No. 79.

[7] House Miscellaneous Documents, Third Session, Thirty-seventh Congress, 1862-63, Vol i, Doc. No. 18.

> full knowledge of the fraud. Experience has proven that in neither case is his expectation disappointed by the result. . . .
>
> As to the accessibility of many of those employed in the custom house to corrupt influences, the evidence is, I regret to say, conclusive and startling.
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> The facts developed in connection with the particular frauds before referred to show that money, in large sums, was received by officials as the undisguised reward of fraudulent acts or connivance. But, in addition to this, the statements herewith submitted seem to justify the belief that nearly the entire body of subordinate officers in and about the custom house are, in one way or another, in the habitual receipt of emoluments from importers or their agents.

Jordan reported (page 6 of the report) that one lawyer declared that he had paid to a single custom-house record clerk the sum of $1800 in a period of fifteen months. "Entries from the books of an importing house, doing but a moderate business, are discovered, showing that about a thousand dollars had been paid by it to an examiner within a period of a year. It is shown that a bond clerk, with a salary of $1000 per annum, enters upon a term of eight years with nothing, and leaves it with a fortune of thirty thousand dollars." Jordan reported that he thought the amount and extent of bribes were much larger than the custom-house officials were willing to admit.

What was set forth in official reports as "the notorious Williams case," was characteristic of the methods by which fortunes had been thus acquired. In these official reports, the firm of J. D. & M. Williams, wine importers of Boston, was described as one of the "oldest established" in that city; its members had grown very rich, and occupied a preëminent station of superior elegance and prestige. They professed to be deeply shocked and wronged when, in 1865, Collector Goodrich of the Port of Boston specifically charged them with long-continued defrauding of the Government in the importation of sherry and champagne. The Government examiners and officials presented calculations showing that, by undervaluations, the firm had cheated the Government out of at least $150,000 in duties; that the interest would make the amount nearly $200,000; and that the value of the wines, since 1846, liable to forfeiture, would reach about $2,000,000.[8]

Collector Goodrich demanded of the firm that it pay $500,000 restitution to the Government—a sum equivalent to double the duties and interest. Confronted with the most positive evidences of its guilt, the firm dropped its arrogant and injured attitude. It offered the Government $350,000 in full satisfaction of all duties, fines and forfeitures. This offer was declined. Suddenly, a singular change came over the custom-house officials; they consented to revise their calculations and recommend the settlement of the Government's claim for the payment of $100,000, and that sum was accepted.

The result was a loud public scandal; impatient curiosity was popularly expressed as to why, after declining an offer of $350,000, the Government had accepted $100,000. The House Committee on Public Expenditures investigated. This committee, on February 11, 1867, handed in two reports. Both reports agreed upon this fact: That during the firm's negotiations with the Government, Samuel A. Way, a prominent Boston banker, obtained $31,200 from the Williams firm, whom he represented in the case. What did he do with that sum? The three majority members of the committee reported that there were strong indications that he had bribed custom-house officials to agree to the settlement so favorable to the Williams firm. But as for the complicity of the Williamses, the majority could not entertain the suspicion, it reported, that a firm of such "long-unblemished reputation and wealth" (sic) could be a party to fraud and bribery.

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[8] Reports of Committees, Second Session, Thirty-ninth Congress, 1866-67, Report No. 15.

The minority report of two members ridiculed that of the majority. "According to Messrs. Williams' own testimony," it reported,

> Way, their agent, represented to them that he must have money with which to bribe Government officials into a more favorable compromise. . . . And how did these honorable and persecuted wine importers receive the proposition? Were they shocked at it? . . . Nothing of the kind. . . . They did precisely what might be expected of men, who, for a long series of years, had systematically defrauded the Government by putting false invoices through the custom house by as long a continued a series of perjuries. They handed to their agent, Mr. Way, at his request during the negotiation, the nice little sum of $31,200 . . . to have it used in the bribery and corruption of United States officers (page 28 of the report).

The minority, however, thought that Way had "pocketed the money himself." In reading these reports one is inclined to conclude that the majority sought to whitewash the firm, and the minority to clear the custom-house officials. The firm had, it was clear, testified to its guilt, and considerable testimony showed that the custom-house officials were generally corrupt. The minority report ended by severely denouncing the firm, and spoke of "the immense interest which the foreign importers have in breaking down every honest official who stands between them and the Treasury." The practice on the part of capitalists in causing the removal of honest officials who sought to thwart their frauds had been long-prevailing, as we have seen in the cases of John Jacob Astor and others.

No criminal action was brought against the Williams firm; the scandal was soon forgotten; and they, like many another importing house profiting by such methods, retained their rank and wealth. Of the $100,000,000 or thereabouts invested in railroads by Massachusetts capitalists at that time, a considerable part of the investment was doubtless made by men who had obtained their wealth by defrauding the Government in customs dues.

If recurring charges are any indication of corruption, the officials of the United States courts were constantly corruptly influenced or bribed to bring no criminal actions against men of wealth, or to cause cases finally to be dismissed, if actions were brought. Even slave traders, the abominations and horrors of whose traffic shocked the whole civilized world, seem to have bought immunity, and this, too, after the Civil War had begun. According to the Duke de Rochefoucault Liancourt, who traveled in the United States in 1795, "nearly twenty vessels from the harbors of the United States are employed in the importation of negroes to Georgia and the West India Isles." In his "Travels" (Vol. II, p. 292, English translation) the Duke further told how the merchants of Rhode Island were the conductors of what he described as the "accursed traffic." United States law prohibited the importation of slaves after the year 1808, and outlawed the traffic as piracy. But the slave traffic continued, and large sums of Northern capital, particularly of New York, Spanish and Cuban capital, were invested in it. Slaves snatched from Africa were sold in the Spanish colonies in America. "Spain," wrote Secretary of State Seward to Minister to Spain Koerner, in 1864, "is believed to be the only Christian country in whose dominions African negroes are now introduced as slaves." Spain, added Seward, had a treaty with Great Britain on the subject, but disregarded it.

From May 1, 1852, to May 1, 1862, twenty-six American schooners and brigs were libelled by the Government at the Port of New York, charged with being engaged in the slave traffic. Some were seized at New York, and others on the coast of Africa. Many of these vessels were condemned.[9] On November 28, 1863, Seward wrote officially to Lord Lyons that a steamship had recently landed more than one thousand African Negroes near Cardenas or Sagua, Cuba; that "very prominent and wealthy persons are said to be implicated in the business"; and that it was believed the steamer went to Nassau after landing the Negroes. Under Spanish law, it was provided that all African Negroes captured by the Spanish Government should be declared *emancipadoes*, and distributed among the planters and others for a monthly compensation, part of which accrued to the Government. But Thomas Savage, U. S. Vice Consul-General at Havana, in describing the system, wrote to Seward: ". . . A little gold judiciously distributed among the *cura*, captains of the district, etc., will establish the fact [of the Negro's alleged decease] and the *emancipado*, so reported as dead, remains a slave for life."[10]

On June 19, 1861, the bark *Augusta* was seized by United States Marshal Robert Murray at Greenpoint, Long Island, on the charge of being fitted out as a slaver to go to Africa, and was condemned. A party of capitalists, headed by Appleton Oakes Smith and his brother, scions of a well-known family, were financing the expedition. To Murray's amazement, the U. S. District Attorney's office at New York then allowed the vessel to be bonded for an insignificant sum, and licensed her to clear the port. Hastening after her, Murray again seized the *Augusta* at Fire Island. He then formally and circumstantially charged collusion between the slave trade interests and certain officers of the Federal judiciary at New York. The Secretary of the Interior subsequently decided that collusion had not been proved.[11] Horace Greeley's editorials of the day express the greatest indignation at this attempted cheating of justice; the case was only one of numerous such cases; many a time slave traders had succeeded in having actions against them dropped or dismissed.

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[9] U. S. Senate Ex. Documents, 1861-62, Vol. v, Doc. No. 53.

[10] Ibid., First Session, Thirty-eighth Congress, 1863-64, Part II, Doc. No. 48.

We have seen how the most successful capitalists, the founders of great fortunes, piled up their wealth by unrestrained careers of fraud and looting. We have noted how Commodore Vanderbilt pocketed millions by blackmailing competitors, and by leasing or selling worthless vessels to the Government during the Civil War for exorbitant sums. The facts have been set forth how a host of other capitalists swindled the United States Treasury out of hundreds of millions of dollars, and hazarded the lives of the very armies fighting for their cause by bribing Government officials to accept army and navy supplies of shoddy clothing, worthless tents and blankets, good-for-nothing shoes, adulterated, deleterious food, and guns which were frequently more dangerous to the men using them than to the enemy.

Even if the supplies and equipment contracted for were of passable quality, the Government was mulcted out of extortionate sums.

In previous chapters we have had repeated occasions to refer to the huge swindles which Marshall O. Roberts, one of the foremost and highly prized capitalists of those years, successfully worked upon the Government. Some of the vessels that he sold for transport service were so bad that one of them foundered a day or two after leaving port. The crew of this ship—the *Union*—was alone saved, and barely so, at that; the ship and all her army stores were a total loss. Another ship sold by Roberts was so badly damaged on her first voyage as to be hardly able to reach port, although not without much loss of freight. But to give a succinct idea of the greater sums squeezed out of the Government for vessels for which some fair degree of efficiency could be claimed, the case of the steamship *Illinois* need only be cited. For a few years' lease of this vessel Roberts succeeded in getting a total rental of $370,700, yet it was appraised by a naval board as worth, all told, cost of construction and equipment included, $257,187. After the Civil War it was returned to him in a much better condition than when he had leased it. The transaction was one of many such scandals that Congress deemed it wise to investigate.[12]

Need it be said, however, that Vanderbilt and Roberts were far from being exceptions? One of the greatest offenders of all in the extortion of large sums from the Government was Thomas Clyde, the founder of the Clyde Steamship Line and commonly described in biographical ac-

[11] Ibid., 1861-62, Vol. v, Doc. No. 40.

[12] See Executive Documents, Second Session, Thirty-ninth Congress, 1866-67, Vol. x, Document No. 65.

counts as a capitalist of the greatest probity. According to the court records, Clyde, by fraudulent representations, succeeded in obtaining exorbitant rates for the leasing of vessels for transport service. The Government discovered his frauds in time, and despite his urgent remonstrances, declined to pay the full amount that he claimed.

In the suit that followed in the case of the steamer *Tallaca*, the Government claimed that Clyde was guilty of a fraud; that in dealing with Quartermaster Ferguson he had suppressed certain facts which, had they been known, would have prevented Ferguson from contracting to pay $115 a day for the vessel. In this case the Court of Claims decided in favor of Clyde.[13] But in the case of the steamer *Rebecca Clyde*, also before the Court of Claims in December, 1869, the court severely denounced Clyde's claim as fraudulent, referred to the "unconscionable and exorbitant rates of transportation," and to the "injustice and extortion" of Clyde's claim, and dismissed his petition.[14] In the appeals in both cases the Supreme Court of the United States reversed both decisions.

CONTEMPORANEOUS PHILANTHROPISTS

Such of the successful capitalists as were not defrauding in many directions were concentrating schemes of fraud in some one special direction.

The Stevens family, of Hoboken, N. J., was one of the notable examples. They were millionaires before J. Pierpont Morgan had outgrown boyhood; they ranked high among the leading capitalists of the country; and by donations of a part of their fortunes they became celebrated as philanthropists. They were the principal owners of the Camden & Amboy railroad, then called in New Jersey the "Railroad Monopoly."

In the fifteen years before 1860 they were the most notorious manipulators of the New Jersey Legislature; time after time they lobbied bills through, swayed the elections and the courts, ignored or evaded the laws, and bled the public by an illegal system of transportation charges. That they and Blair and other railroad magnates were continually debauching the New Jersey Legislature was common understanding, but it was not to be expected that the Legislature would seriously investigate itself. In 1855 a specific bribery scandal inadvertently happened to become public; the Legislature hurriedly appointed a catechizing committee which made a pretense of investigation, and then turned in a report which harmed no one.[15]

The Stevenses not only had their direct, but also their indirect, sources of tribute. One of them, Edward A. Stevens, a philanthropist par excellence, was carrying on, it seems, a species of blackmailing akin to that

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[13] Court of Claims, v:134-140.

[14] Ibid., 140-155.

[15] Report of the Special Committee in Reference to Alleged Attempts at Bribery.—New Jersey Senate Journal, 1855:707 to 715, 841 to 862, et seq. The bill was one authorizing the building of bridges over the Passaic River and Newark Bay.

Vanderbilt employed. As the owner of the Hoboken Land & Improvement Company, Stevens had secured a franchise for a branch railroad line from Hoboken to Newark. For many years, up to 1860, he compelled the New Jersey Transportation Company, a competitor in that one section of the State, to pay him an annual subsidy of $18,000, in order to buy him off from building the branch line.

The New Jersey Transportation Company decided, in 1860, that it would no longer pay this blackmail money. In retaliation, Stevens bribed the New Jersey Legislature to give him a franchise to connect his line with the Morris & Essex Railroad in which he held a large proprietorship. A turbulent scene ensued when the bill was passed on March 1, 1860. Assemblyman Slaight, of Hudson County, charged that an offer of bribery had been made to him to vote for Stevens' bill. Whereupon Peckham, of the same county, rose and announced he had been offered by Stevens' opponents as high as $3,000 to oppose the bill.

These are but a very few of the many examples of successful capitalists whom the young men were taught to look up to and, if possible, emulate. And what were the business methods of the most conspicuous factory owners? To get an even more correct focus upon the youthful career of J. Pierpont Morgan, it is desirable to consider some of the ways in which the large industrial concerns were rushing into great wealth.

Asa Whitney was one of the important all-round capitalists of the United States; he was a railroad projector, and his firm, Asa Whitney & Sons, owned the largest carwheel factory in the land. He was a very enthusiastic patriot; so were they all, those commercial men, brave in patriotic talk. The quality of their patriotism was particularly evidenced after John Brown's raid at Harper's Ferry.

War between North and South was generally regarded as unavoidable. The South was busily preparing. What were the Northern factory owners doing? Working their plants day and night to supply the South with equipment. In the first months of 1860 the Whitney works were run to their fullest capacity to provide wheels largely for Southern railroads. In the same months the Baldwin Locomotive Works of Philadelphia turned out fifty-eight locomotives, all but four of which were for Southern railroads. Bement and Dougherty and the firm of William Setters & Company, machine tool builders in Philadelphia, were filling heavy orders for Southern railway and machine shops.

These capitalists, and all who were doing as they were, knew that every indication threatened that this equipment would soon be used in war against the very section to which they belonged, and for the interests and principles of which they professed to be such staunch adherents. In fact, some of them made declamatory patriotic speeches at the very time when they were profiting from equipping what they knew would shortly develop into an openly hostile people, intent upon sustaining their purposes by armed force.

THE DEFRAUDING OF INVENTORS

The Northern gun manufacturers did the same; not one of them scrupled to fill Southern orders. They also refused, for the most part, to adopt any improvements or utilize any of the numerous new inventions. In pleading for the establishment of more Government armories, and foundries, Representative Wallace of Pennsylvania, in a speech in Congress, on February 28, 1863, said:

> . . . When we look at the manner in which our army and Government have been defrauded by peculators, we must shrink from the idea of trusting to private contractors to furnish the necessary means for our national defense. Dependence upon private contractors for arms and munitions of war is too precarious and uncertain in all respects, as well as too costly, upon which to rest such an important and vital interest of the nation. The improvements made of late years in the power and destructiveness of all arms have rendered comparatively useless weapons that were deemed the very best, perhaps not more than a quarter of a century ago. . . . The interest of the private contractor is to discourage all change in the character of arms which his machinery is prepared to make, as machinery is costly, and every material change necessitates a corresponding change in his machinery. . . .[16]

The explanation of the gun manufacturers was that patriotism was not involved; that it was simply "a case of business."

Doubtless it was this acute business instinct which led them to steal outright the patents for breech-loading guns. According to the conclusions of a Congressional committee on patents, the inventor of mechanical devices for breech-loading small arms and machine guns was George W. Morse, who took out patents in 1856. The gun manufacturers appropriated his inventions. As in the cases of Goodyear and many another inventor, Morse was cheated out. Thrown into the deepest poverty, he applied, in 1878, to the Government for payment on the score of his invention. In favoring his petition, the Committee on Patents reported, "He is ignored and poor in his declining years, and those who have adopted his inventions without remunerating him are rolling in wealth." [17]

In the case of another inventor, C. D. Schubarth, a foreigner, residing at Providence, R. I., a Government Commission reported these facts: that he had invented a new type of gun; that in order to raise the funds he had to take in several capitalists as partners; that he was informed that to get a contract from the War Department, it was necessary to bribe one of the United States Senators from Rhode Island; that he was then given a letter of introduction to United States Senator J. F. Simmons by the Providence firm of A. D. & J. Y. Smith " a business house of great wealth and respectability"; and that he arranged to give Simmons five per cent. of the amount of the contract. Schubarth thus obtained a contract for 50,000 Springfield rifles; according to the evidence before the Government Commission, Simmons' graft amounted to $50,000.[18]

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[16] The Congressional Globe, Thirty-seventh Congress, Second Session, 1862-63, Part II, Appendix:136.

[17] House Reports, First Session, Forty-fifth Congress, 1878-79, Vol. i, Report No. 1:3.

Everywhere in the struggle for commercial success obtruded fraud, theft and murder; one or more or a combination of these methods constituted the means by which wealth was largely piled up. Overwork and criminal accidents joined with disease and want and worry and unsanitary housing killed off myriads of workers by sudden or lingering death. Yet not alone in the factories and mines, on the sea and in the tenements did this scourge of death go on as an accompaniment of the rapid growth of private wealth. Out on the primitive plains and in the mountain fastnesses whole tribes of Indians were ruthlessly despoiled, driven off, and then, on some pretext or other, slaughtered so that their lands and the resources on them could be gratuitously seized.[19]

The outbreak of the Civil War gave the mercantile capitalists unsurpassed opportunities for the vilest kind of business operations.

PROFITING FROM SLAUGHTER

It would be quite puerile and a poor extenuation to say that they were not fully conscious of the disastrous consequences to the nation flowing from their acts. They knew the baleful results to the soldiery of imposing fraudulent army and navy supplies upon the Government. Yet, spurred by the certainty of extortionate profits, they went eagerly ahead, and when their frauds were discovered, sought to block every attempt at investigation. In the one item of shoes alone, the shoe manufacturers sold to the Government from 1861 to 1862 five million pairs of shoes for the army, as to which transaction a Government commission reported that at least $3,000,000 had been defrauded; that supplies of shoes which were so bad that they could not be sold privately had been palmed off upon the Government.[20]

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[18] Report of Commissioners Joseph Holt and Robert Dale Owen to Secretary of War Stanton, June 21, 1862, U. S. Senate Documents, Second Session, Thirty-seventh Congress, 1861-62, Vol. 1, Doc. No. 64.

[19] These are a few extracts from the annual report of the United States Commissioner of Indian Affairs, 1859:

"We have substantially taken possession of the country [the Western Territories] and deprived them [the Indians] of their accustomed means of support.

"Numbers of them are compelled to sustain life by using for food reptiles, insects, grass, seeds and roots.

"They have at times been compelled to either steal or starve.

"Many of the numerous depredations have doubtless been committed by them in consequence of their destitute and desperate condition."

Report after report of the United States Commissioner of Indian Affairs showed that many Indian tribes were in a state of absolute destitution, and Congress was called upon to pass appropriations for their support. The Pawnees and other tribes that Astor had debauched and swindled for so long a period, were in a starving condition. Document No. 27, United States Senate Documents, Second Session, 1875, reveals that British and American traders had long since introduced among the Chilcats, Sitkas and other Indian tribes in Alaska, the methods so successfully exploited by Astor of getting the Indians drunk and swindling them of furs.

But the one equipment which the army most urgently needed was rifles. We have already, in a previous chapter, related how Marcellus Hartley and other prominent capitalists swindled the Government, and imperiled the Union Army, by importing the refuse of European arms and unloading them upon the United States Government. Also, we have adverted to the fact that it was greatly because of the great profits made in these transactions that Hartley was able to build enormous factories at Bridgeport, Conn.—factories that his descendants inherited.

J. Pierpont Morgan was profiting from the same methods at the same time. He was, in 1861, a robust young man, just turned twenty-four years old. "He inherited from his parents," later wrote one of his biographers, "their purity of character and exceptional abilities." [21] Those attributed lofty virtues were not in evidence. At a critical juncture when the Union Government was most in need of soldiers, Morgan chose not only to stay at home, but to profit from the sale of worthless rifles for the arming of the men who responded to the call to arms.

Abraham Lincoln was sending out his proclamations calling for volunteers. The contest was a momentous struggle not merely between sections, but between two kinds of conflicting institutions. The so-called common people—the factory and shop workers, the slum dwellers, the professionals and the farmers—heroically poured in for enlistment. Hundreds of thousands went forth to the camps and battlefields, never to return.

Although well qualified physically and mentally for military service, Morgan avoided any kind of duty interfering with money making and comfort. He differed in nowise from almost all the men of position and property. They restricted their exuberant patriotism to talk and the waving of bunting, but took great care to keep away from the zone of personal danger. The rich as a class not only evaded enlistment, but proceeded to demoralize, spread disability and sow death among their own armies. While doing this, and at the same time swindling the Government, States and cities out of vast sums in army contracts, they caused the Draft Act to be so amended that it gave men of property the easy opportunity of escaping conscription by permitting them to hire substitutes.

MORGAN'S FIRST STROKE OF BUSINESS

J. Pierpont Morgan's first ascertainable business transaction was in one of these army contracts; and while it was not on so large a scale as those of older capitalists, it was (judged by prevailing capitalist standards) a very able stroke for a young man of twenty-four. Its success gave promise of much greater things to come, in which respect Morgan's admirers were not disappointed.

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[20] Reports of Committees, Thirty-seventh Congress, Second Session, 1861-62, Vol. 2:lxii-lxiv.

[21] "America's Successful Men," 1:452.

In 1857 the army inspecting officers condemned a large number of Hall's carbines as thoroughly unserviceable, and as of obsolete and dangerous pattern. The Government thereupon auctioned off quantities of them from time to time at prices ranging from between $1 and $2 each. Five thousand of them, however, still remained in the army arsenal in New York City and were there when the Civil War broke out.

On May 28, 1861, one Arthur M. Eastman, of Manchester, New Hampshire, made an offer to the Government to buy these rifles at $3 each. Knowing the great frauds going on in the furnishing of army supplies, the Government officials might well have been suspicious of this offer, but apparently did not question its good faith. The rifles were sold to Eastman at $3.50 each. But either Eastman lacked the money for payment, or had been thrust forward to act as a dummy for a principal in the background. One Simon Stevens[22] then stepped on the scene, agreeing to back Eastman to the extent of $20,000, which sum was to be applied for payment for the rifles; as collateral security Stevens took a lien upon the rifles. But from whom did Stevens get the funds? The official and legal records show that it was from J. Pierpont Morgan.

A GREAT SCANDAL OF THE TIME

The next step in this transaction was in Stevens' telegraphing, on August 5, 1861, a notification to General Fremont, commanding at St. Louis, that he had five thousand new carbines, in perfect condition, and inquiring whether Fremont would take them. From Fremont's headquarters came word to ship them to the army headquarters at St. Louis at once. During all of this time the carbines had remained at the arsenal in New York City. Upon receiving Fremont's order, Morgan paid the Government the sum of $17,486—at the rate of $3.50 a carbine. The rifles were shipped direct from the arsenal to St. Louis. And what was the sum charged upon the Government for them? The bill made out to

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[22] The House Investigating Committee on Government Contracts in 1862 reported to Congress that Simon Stevens was one of a clique involved in custom-house frauds. Before 1859, the New York Collector of the Port had employed the laborers and cartmen in the appraiser's store to haul goods to the Government bonded warehouses. In August, 1859, Collector Schell (a corrupt Tammany politician) made a contract by which the hauling was turned over to some of his political associates. They were paid $123,000 a year. "Upon this contract," reported Chairman Van Wyck, "the parties made from fifty to seventy-five thousand dollars yearly." The committee showed how the contract had been corruptly obtained, and stated that Stevens had a one-eighth share of the profits. Stevens also caused any of the custom-house clerks who said anything against the contract to be removed from office.—The Congressional Globe, Third Session, Thirty-seventh Congress, 1862-63, Part II, Appendix: 118.

Fremont called for the payment of $22 apiece for the consignment.[23]

This was one of the many army contracts popularly and officially regarded as scandalous in the highest degree; one of the select Congressional Committees of 1862 lost no time in the investigating of it. After making a full inquiry this committee reported:

> Thus the proposal actually was to sell to the Government at $22 each 5,000 of its own arms, the intention being, if the offer was accepted, to obtain these arms from the Government at $3.50 each. . . . It is very evident that the very funds with which this purchase was effected were borrowed on the faith of the previous agreement to sell. The Government not only sold one day for $17,486 arms which it had agreed the day before to repurchase for $109,912—making a loss to the United States of $92,426—but virtually furnished the money to pay itself the $17,486 which it received.

The committee further reported that the rifles were so bad that it was found that they would shoot off the thumbs of the very soldiers using them. But not only did the Government condemn the transaction as a barefaced swindle; Marcellus Hartley, himself a dealer in arms and a self-confessed swindler, had declared before the committee, "I think the worst thing this Government has been swindled upon has been these confounded Hall's carbines."[24] The Government refused to pay Morgan the $22 demanded for each of the five thousand carbines, whereupon Morgan pressed his claim. Thus it was that the case of J. Pierpont Morgan vs. The United States Government came into the public records. It figured as case No. 97.[25] To adjudicate this claim, as well as many other similar claims, the Secretary of War appointed a Commission composed of J. Holt and Robert Dale Owen, son of the famous Robert Owen.

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[23] Reports of Committees, Second Session, Thirty-seventh Congress, 1861-62, Vol. ii:lxiv-lxxli.

The frauds at Fremont's headquarters, at St. Louis, were particularly enormous. Major McKinstry, quartermaster of the U. S. army at that place, was tried by a courtmartial on sixty-one specifications of corrupt practices, and was found guilty on twenty-six. The testimony showed the grossest frauds, by collusion, in all kinds of army supplies. The Morgan rifle transaction, however, was not brought out in the specifications. McKinstry was discharged from the army.—House Reports, Committees and Court of Claims, Third Session, Thirty-seventh Congress, 1862-63, Report No. 49:1-24.

That the bribery of certain Union officers was a fact was revealed by this communication sent by Major-General Frederick Steele, on July 26, 1864, from Little Rock, Ark., to Major-General E. R. S. Canby, commanding the Military Division of West Mississippi:

"General: Your communication in regard to bribery among the officers of my command is just received. If bribes had been taken it must have been by agents. I am satisfied that the officers know nothing about it. General Marcy, Inspector-General, is at Fort Smith investigating the matter. Carr is chief-quartermaster of my corps and a lieutenant-colonel. Brig.-Gen. J. W. Davidson has slandered Carr on all occasions. . . . He could have had affidavits in regard to the corruption of his own disbursing officers if he had wished them. I have seen such affidavits."—House Miscellaneous Documents, Second Session, Fifty-second Congress, 1892-93 (Rebellion Record Series I, Vol. xli):401.

[24] Reports of Committees, Second Session, Thirty-seventh Congress, 1861-62, Vol. ii:200-204.

Reporting on July 1, 1862, this commission stated that one hundred and four cases, involving demands upon the National Treasury to the extent of $50,000,000 had been referred to it, and that it had cut out $17,000,000 of claims as extravagant and fraudulent.[26] In passing upon Morgan's claim it declared that General Fremont had no authority to contract for the rifles, but that it, the committee, recognized a legal obligation on the part of the Government arising from the fact that the arms passed into the service of the army. As the best way out of a bad bargain it decided to pay Morgan at the rate of $13.31 a carbine, and it pointed out that even at this price Morgan and Stevens stood to make $49,000 above the price at which the rifles had been sold to them by the United States.[27] Under this ruling a total of $55,550 was paid to Morgan by the Government, which sum was accepted on account only.

This settlement, however, was not satisfactory to the claimants; the full pound of blood was demanded. Suit was brought in the Court of Claims at Washington for $58,000 more. This time the case was entitled Simon Stevens vs. The United States Government.[28] In the statement of the case before the court the fact was emphasized that, according to the Government, the carbines had been inspected and pronounced unserviceable by the Government ordnance officer. In delivering his decision Judge Peck said: "By an arrangement between Stevens and one J. Pierpont Morgan the voucher for the first two thousand and five hundred carbines delivered was to be made out in the name of Morgan, which was done; the said voucher was signed by F. D. Cadwallader, Captain of Ordnance, United States Army, and was for the sum of $55,550. By further arrangement this voucher went into the hands of Messrs. Ketchum, Son & Company." This voucher was paid on or about September 10, 1861. The other twenty-five hundred rifles, the court said, had also been received by Fremont.[29]

These are the facts as set forth in unimpassioned court records.

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[25] Ibid., 64-72.

[26] Ibid., lxxvii.

[27] Ibid., lxxv. The Commission stated that there was a legal obligation on the part of the Government to pay, but that this obligation arose not from Fremont's contract, but because the arms did pass into army service.

[28] Court of Claims Reports, ii:98, etc.

[29] Ibid., 99. In arguing for the Government the U. S. Assistant Solicitor said to the court:

"The arms were purchased by Arthur M. Eastman, *from* the United States, at *three and one-half dollars each,* because they had been inspected and pronounced unserviceable by the ordnance officer. They were sold by Eastman to the claimant for twelve and one-half dollars each, and the claimant at once sold to General Fremont at *twenty-two dollars* each. The Government price for *new* arms of this pattern, of good quality and fit for service, was seventeen and one-half dollars."—Ibid., 98.

COURTS MAKE THE GOVERNMENT PAY

Did Morgan and his associates get their full demands from the Government? They did. Judge Peck held that when Fremont had agreed to buy the rifles he had entered into a contract which bound the Government, and that a contract was a contract. The court took no cognizance of the fact that the worthless, condemned rifles had been represented as new, nor did it consider the fact that the money with which they had been bought from the Government was virtually Government money. It gave Stevens a judgment against the Government for $58,175.

It was this particular decision which assured the open sesame for the holders of what were then cynically called "deadhorse claims" to collect the full amount of their swindling operations. The Government could now plead itself defenseless against the horde of contractors who had bribed officials to accept decayed ships and defective armor, worthless arms and shoddy clothing, flimsy tents, blankets and shoes, and haversacks which came to pieces, adulterated food and similar equipment and supplies. As for criminal action, not a single one of these defrauders went to prison, or stood any danger of it; the courts throughout the land were perennially busy rushing off petty defrauders to imprisonment and employing the full punitive power of their machinery against poor, uninfluential offenders.[30]

This was the real beginning of J. Pierpont Morgan's business career; the facts are there immovable and unassailable in the public records. This was the brand of "patriot" he and his fellow capitalists were; yet to the end of Morgan's life, and afterward too, clergy and politicians and shallow, obsequious writers saturated the public with myths all designed to prove Morgan's measureless benevolence and lofty patriotism.[31]

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[30] In reporting to Congress, on March 3, 1863, the House Select Committee on Government Contracts, after submitting its great amount of testimony regarding the frauds on every hand, concluded:

"Many frauds have been exposed, the Government relieved from many unconscionable contracts, and millions of dollars saved to the treasury. Yet it is a matter of regret that punishment has not been meted out to the basest class of transgressors. They to whom this duty belonged seemed sadly to have neglected it. *Worse than traitors in arms are the men pretending loyalty to the flag, who feast and fatten on the misfortune of the nation, while patriot blood is crimsoning the plains of the South, and bodies of their countrymen are mouldering in the dust.* The leniency of the Government towards these men is a marvel which the present cannot appreciate, and history never explain."—House Reports, Committees and Courts of Claims, Third Session, Thirty-seventh Congress, 1862-63, Report No. 50:47.—But history can explain. It was not to be expected that the very class controlling Government—the capitalist class—was to be proceeded against by its creature.

[31] For example, an article entitled "Cleveland's Opinion of Men," in "McClure's Magazine," issue of April, 1909. The writer of this article quoted Cleveland, for several terms President of the United States, as saying of Morgan's conduct when a bond issue was under way in 1894:

"I saw, too, that with him it was not merely a matter of business, but of clear sighted, far-seeing patriotism. He was not looking for a personal bargain, but sat there, a great patriotic banker, concerting with me and my advisers as to measures to avert a peril, determined to do his best in a severe and trying crisis."

Chapter XX

THE FLOWERING OF THE MORGAN FORTUNE

"GREAT is Mr. Morgan's power, greater in some respects even than that of President or kings," wrote a seasoned British observer a quarter of a century ago[1] which fact, patent to even the casual onlooker, easily passed uncontradicted.

MORGAN THEN AND LATER

Could this Morgan be the same who started out by successfully palming off upon the Government during the Civil War five thousand of its own condemned rifles, and at extortionate prices? Was it possible that the man who profited from arming the nation's soldiers with self-slaughtering guns could be the same Morgan whose power later was "greater than that of President or kings"? Was the great, sublime patriot of subsequent times, J. Pierpont Morgan, the same Morgan who came into collision with investigating committees during the Civil War, and who was practically denounced in the severest language? Verily, he was the same man, the identical same. Behold him in the budding of his career, and observe how he began it; and behold him in after decades, glutted with wealth and power, covered with honors, august dispenser of benevolence, the incarnate source of all wisdom, financial and otherwise, the mighty man of commerce and of the arts, the idol of capitalist ideals.

Between that Civil War transaction and his later sway, necessarily there lay a long category of deeds. Undisputably he began his career with proofs of exceptional brilliance. Had his first business achievement—that of the condemned rifles—been judged by the standards of the "lower classes," he would have been thrown into prison, or had the soldiers who had to use the guns come within his proximity, the life, peradventure, might have been shot out of him then and there. But his own class, far from having a remote thought of abhorrence or ostracism, admired his business skill, mettle and audacity, and regarded him as an extraordinarily promising young man. Great things were predicted for so astute an novitiate; yet novitiate was not the word: the most experienced business man could hardly have done better than did Morgan in that famous rifle sale.

Moreover, Morgan had other advantages which assured a notable future. He had a millionaire father, which was a relationship to be trebly prized at a time when millionaire progenitors were not so very numerous. The paternal advice and guidance, based upon a protracted career in the serpentine channels of wealth getting, could unfailingly be drawn upon. Additionally, J. Pierpont Morgan had the backing of the old man's millions and prestige, and—what was more important—would some day inherit those millions. All of these factors were infallibly the prelude to a glorious career.

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[1] A. Maurice Low in "The Independent," issue of October 30, 1902.

HE ATTAINS "UNIVERSAL RESPECT"

The respect of the mercantile and financial classes for Morgan's proved ability grew proportionately with each new display of his capacity. Presently we find a contemporary biographer saying of him: "Mr. Morgan made himself universally respected as an able financier in 1869, when he came out victorious in a memorable struggle for the control of the Albany & Susquehanna Railroad, which had fallen into the clutches of Messrs. Fisk and Gould. The contest was waged not only by litigation, but also by force of arms, and Governor Hoffman called out the militia. Fisk was eventually dislodged."

It had not taken long for Morgan to arrive at the point where he was "universally respected." By "universally" the writer of that eulogy meant among Morgan's class, the opinion of which was held to be all-inclusive. But what was the real nature of this railroad business which made Morgan so "universally respected"? What great public service, if any, did he render? What was the special merit involved in his overthrowing of Gould and Fisk, and his getting control of the railroad in question?

Eulogistic writers failed to give enlightenment on this point. But what they omitted, public records supplied to some extent.

Had either Gould and Fisk, on the one hand, or Morgan, on the other, built the Albany & Susquehanna Railroad or provided the funds for its construction? Not a mother's son of them. This line, later a part of the Delaware & Hudson Railroad, had been built with public funds drawn from the treasuries of New York State and of various counties and municipalities in that State. At least $1,000,000 of the $45,000,000 drained from the public treasury in New York State for the building of railroads, had gone into the construction of the Albany & Susquehanna Railroad.[2]

The usual pilfering processes marked its building; large sums were stolen in various forms of graft; and, as in the case of the Erie Railroad and other railroads, the State was cheated out of much of its loans. Then the group of capitalists in control watered the Albany & Susquehanna's stock and manipulated it for speculative purposes until they were ousted by other capitalists who repeated their manipulating methods on a larger scale. This railroad's chief value lay in the fact that it had direct connections with the coal mining regions of Pennsylvania.

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[2] See Railroad Investigation of the State of New York, 1879. Poor's Railroad Manual of the United States for 1869-70 reported: "The construction of this road has been largely aided by money appropriated by the State, the sums ($1,000,000 in all) representing which do not appear in the capital accounts."—p. 69.

Two contesting sets of capitalists now rushed forward to seize control of it. One crowd was led by Gould and Fisk, the other by J. Pierpont Morgan. The older capitalists were amazed at the sight of these young men audaciously struggling for the possession of a valuable railroad system, in the construction of which neither set had had any part whatever. Old Commodore Vanderbilt looked on with a blended admiration and envy. Gould was but thirty-three years old, and Morgan thirty-one. Each side bought all of the stock that it could; Gould with the proceeds of his mauraudings, and Morgan possibly with the proceeds of such transactions as the rifle sale, for instance. Stockholders' elections were held amid scenes of the greatest disorder, and each party claimed the election of its own board of directors, and accused the other of the grossest frauds.

Quite appropriately the contest went into the courts. Twenty-one separate suits were brought by Gould and Fisk, and a sheaf of injunctions obtained. The Morgan party fought back vigorously. But so long as the legal contest was confined to the New York City courts, Gould and Fisk had the surety of victory. The reason was that such Supreme Court judges as Barnard and Cardozo, formerly Vanderbilt's tools, were now Gould's chattels and did whatever he ordered.

Very soon an edifying situation turned up. So fiercely determined was each side to kick out the other that the railroad was thrown into a state of absolute disorganization and could not be operated. After spending a million dollars of public money on its construction, the people were forced to look on while the two parties, neither of whom had invested a dollar in its building, claimed to be its owners, and estopped the other with judicial orders and injunctions.

Which of the two would come out ahead? The outcome was doubtful. But it did not continue so very long. Gould and Fisk were cleverly entrapped into making an agreement which led to their utter eventual defeat. The agreement was to this purport: That inasmuch as the conflicting parties could not agree, they had arrived at a mutual understanding by which they would write to Governor Hoffman of New York State setting forth that it had become impracticable to run the railroad, and therefore requesting the appointment of a State official to operate it pending a new election of directors. This communication was sent to Governor Hoffman on August 11, 1869, and its provisions were accepted.

BOTH SIDES CHARGED WITH FRAUD

In less than a month after this, separate elections were held; each side again claimed that its directors were elected. More suits followed. Gould and Fisk charged that Ramsey, president of the road, had illegally issued three thousand shares of stock to the Morgan party, and demanded that this issue be declared invalid. Morgan, Samuel Sloan and others of the opposition retaliated with charges that Gould and Fisk had used force and fraud. The State of New York now stepped in, and through the Attorney General, brought an action against both parties. The State charged that both stockholders' elections were illegal, irregular and void; that spurious votes had been counted in, and that otherwise they were full of fraud.[3] The State asked for an injunction restraining both boards from taking possession.

The case came up again in November, 1869, before Judge Darwin Smith in the Supreme Court at Rochester, N. Y. Gould and Fisk found themselves at a great disadvantage. In New York City, with their bought judges on hand, they could arrange for decisions in advance, but in Rochester they were in a territory where the power of competitive magnates was strongly intrenched. Judge Smith's decision was wholly favorable to the group of capitalists led by J. Pierpont Morgan, and the Albany & Susquehanna Railroad passed into their control.[4]

This seems to have been J. Pierpont Morgan's first entry into the railroad business in which later he was to become so powerful a factor. Thenceforth, for nearly thirty years, until the period of organizing industrial trusts began, his chief undertakings were his banking business and what was called "the reorganization of railroads."

The two things worked well together. By means of financial laws, corruptly passed, the bankers, both international and national, compelled the people of the United States, through their Government, to present them with the funds with which to buy up railroads and other forms of property.[5] We have already described the financial system prevailing in the United States during and immediately following the Civil War; how the people were taxed from $18,000,000 to $20,000,000 a year to pay interest to the bankers and other bondholders. We have also showed how the bankers had laws passed by which they could deposit their Government bonds in the United States Treasury and receive back the full amount in currency, less ten per cent.

Thus the banks received a double interest; often as much as six per cent. in gold in annual interest from the Government, and a far greater amount in interest for the public use of the currency which they were gratuitously allowed to issue on the strength of the deposited bonds.[6] At the same time, they were relieved from paying taxes on Government bonds. Their profits, obviously, were enormous, averaging twenty, fifty, and often one hundred per cent. in the course of a year. The laws also were so devised as to insure them a virtual monopoly of the currency supply—an incalculable power in manipulating industry and the markets, and in controlling speculation in stocks.

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[3] Lansing's Reports, New York Supreme Court, 1:308, etc. The statement of the case in the decision frequently refers to "the party headed by J. Pierpont Morgan."

[4] See, The People of the State of New York vs. The Albany and Susquehanna Railroad Company, Lansing's Reports, N. Y. Supreme Court, 1:308-345.

[5] Under the surface, the Rothschilds long had a powerful influence in dictating American financial laws. The law records show that they were powers in the old Bank of the United States. August Belmont and Company were their American representatives. In 1873 it was estimated that $375,000,000 of American railroad securities were held abroad, chiefly by foreign bankers. The Final Report of the Industrial Commission in 1902 estimated (see page 404 of that report) the amount of these securities held by foreign banking houses and others abroad at about $3,100,000,000.

In its resolutions passed at Military Hall, New York City, on October 19, 1829, the Workingmen's Party had denounced the bankers as "the greatest knaves, impostors and paupers of the age." A violent tirade this seemed on its face, but, in point of fact, there was hardly a banker in the country who was not constantly and criminally violating the law by committing some species of fraud or other. Year after year the courts were full of lawsuits in which this or that banker was charged with fraudulent transactions. There is little historical use in describing Morgan's career without adverting to an illuminative mention of what other conspicuous bankers were doing, both before, and during, his time. Ever and ever anew it will be seen that Morgan was doing nothing more than emulating the traditional practices of his class.

A VISION OF SOME "GREAT" BANKERS

Perhaps the foremost banker in the United States in the first four decades of the nineteenth century was Nicholas Biddle, that proud aristocrat and founder of a family of aristocrats. He was long president of the once all-powerful Bank of the United States, and was held up to the whole country as an illustrious example of the position to which any able and well-regulated youth could attain.

Yet he was accused of being a thief, an embezzler, a malefactor in law. After his retirement from the presidency of the Bank of the United States, that institution brought a civil action against him and the cashier, John Andrews, for the restitution of $400,000 which they were charged with stealing from the bank in 1836. This theft, it was further specifically charged, was concealed by fraudulent entries, burning of vouchers and by other methods. By the time the suit came up in court in 1844, Biddle had died, but the action was pressed against Andrews. His answer was a general denial, but Judge Parsons decided that he was convinced that the claim for recovery was one which could be enforced, and he overruled Andrews' demurrer.[7] And to give merely one instance of many instances of the methods of powerful bankers during Morgan's early career, let us consider the case of Bischoffsheim and Goldschmidt.

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[6] The fact has been brought out in a previous chapter how the Government from 1863 to 1878 had paid out to national banks the great sum of $252,837,556.77 as interest on bonds.—House Executive Document, No. 34, 1879.

[7] Parson's Select Equity Cases of the First Judicial District of Pennsylvania, 1844, ii:31-63. Also, Pennsylvania House Journal, 1842, Vol. ii, Appendix:182. Biddle's theft has been incidentally referred to in a previous chapter, but it stands a more extended notice here.

They it was who loaned Jay Gould the money to pay fraudulent interest on fraudulent bonds in his Erie Railroad thefts; they supplied the money to pay fictitious dividends, and when they saw more profit in betraying him, they quickly changed front and poured out the $750,000 with which Gould's directors of the Erie Railroad were bribed to resign.[8] By such methods they heaped up great fortunes; when Goldschmidt died more than a half century ago he left an estate of $30,000,000.

LAWS DRAFTED FOR PLUNDER

But the extraordinary financial laws passed during the Civil War were only the forerunners of other laws which the bankers and the creditor class in general caused to be passed in following years, and by which they instantly and vastly increased their wealth and power, and were enabled far more effectually than ever before to put the screws upon the producing class.

The most noted of these laws was that passed by Congress on February 12, 1873, practically accomplishing the demonitization of silver as a coin. This was the same Congress which, as we have seen in one of the chapters on the Sage fortune, was bribed with a million dollars to pass an act granting an additional subsidy of $5,000,000 to the Pacific Mail Steamship Company. The demonitization act went through by evasion; not a word was directly mentioned in it of the demonitization of silver; few knew of its purport; even the advocates of bimetallism voted for it. It was one of the most adroit bills ever put through Congress, and it was only after it had become a law that its concealed provisions came to public attention.

Then a terrific cry of rage went up from the middle class from one end of the country to the other; the excitement was intense. In this excitement and indignation the working class was persuaded into joining, although at basis, the workers were not affected by this law; their exploitation and despoilment had gone on under bimetallism, and would continue without cessation under monometallism.

It was the middle class which was struck at hard; the supply of money was at once contracted, the purchasing power of gold was enhanced, and the power of the large creditor capitalists and banking institutions over the small property owning class was greatly augmented. This law was passed at about the same time that the first trust, the Standard Oil Company, was rising to give the death blow to the doctrine of free competition in trade, and to crush out the middleman in business. The day was a sorry one for the long-dominant middle class.

The middle class representatives in Congress and elsewhere now began an agitation which lasted many years.[9] They charged that the demonetization of silver had been brought about by the conspiracy of John Sherman and a few other prominent men in Congress, with the financiers of Wall street and Europe. In fact, the successive volumes of the "Congressional Record" of those years were full of speeches in which this charge was brought out over and over again. But the law stood; and what was more galling to the middle class, John Sherman, denounced so bitterly as a traitor, and as a mercenary of the bankers, was appointed, a few years later, to be Secretary of the United States Treasury. From that time on, the bankers, national and international, came out more and more in the open in direct dictatorship of the financial laws and policy of the United States. Circumlocution became less necessary.

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[8] Railroad Investigation of the State of New York, 1879, ii:1496. See also New York State Assembly Documents, 1873, Vol. vi, Doc. No. 98.

[9] The millionaire silver mine owners of the West, although not to be classed with the middle class, were the leaders in this agitation. Self-interest actuated them.

The great Government bond issue of 1877, by which the bankers made colossal profits, followed Sherman's appointment. Before, however, referring to this memorable sell-out, it will be well to give a passing glimpse of Morgan's varied activities and the nature of them. Morgan's first partnership was as a member of the firm of Dabney, Morgan & Company, which firm, it will be recalled, was one of the banking houses participating in that noted Kansas Pacific Railway loan of 1869. This loan was asked for from investors largely on the strength of a three-million-acre land grant in Kansas and Colorado, which had been secured by the Kansas Pacific Railway Company from Congress, and which was the beginning of not one series, but many series, of fraud and plunder. Morgan could claim, and with justice so far as current standards went, that the floating of this loan was a "legitimate banking transaction"; but the fact that no banker declined to profit from the financing of enterprises which he knew began and continued in corruption and swindling, gave a very clear idea of the quality of the assumed morals and ethics of the capitalist class.

THE GREAT BOND ISSUE OF 1877

Morgan's next partnership was as a member of the firm of Drexel, Morgan and Company. He began to be conspicuous in very large transactions. One of these was the floating of the $260,000,000 U. S. Government bond issue of 1877. Avoiding plunging into detail, which would be intricate at best, suffice it to say that this bond issue was generally regarded, and not without full reason, as one of the very worst cases that had ever been known of the people being betrayed over to a few bankers. The selling of the bonds was apportioned among these banking houses: August Belmont, the Rothschilds, J. and W. Seligman Brothers, and Drexel, Morgan & Company, the last named acting for themselves and for the firm of J. S. Morgan & Company in London. This syndicate at once sold the bonds at an advance of from one to four per cent. above the price which they had paid to the Government. The profits of the syndicate reached into the tens of millions of dollars. Drexel, Morgan & Company alone were credited with "making" a clear profit of $5,000,000. Their function consisted in nothing more or less than acting as licensed speculative middlemen for a Government which could have disposed of the bonds without intermediaries.[10] Moreover, the participating bankers were able to get the bonds for themselves at "bargain prices," and then through associated national banks, carry on the familiar practice of exacting double interest—one interest from the Government, and another for the use of currency issued on the basis of those same bonds.[11]

These transactions comprised obviously but a few of Morgan's varied activities in the decades following the Civil War; it can be well understood that he was, at the same time, engaged in a mass of purely private business dealings, of which no details ever became public. Even of his public transactions the facts as set forth in the public records are more indications, than actual and complete accounts, of the underlying circumstances. The financiers and business men had every motive for enshrouding their affairs in the greatest secrecy, particularly when those affairs in any way related to the diverting of Government functions for their ends, or had to do with the suspicious passage of partial laws or the violation of laws. The motto of the whole commercial class was to keep the public in the dark as much as possible; and even when the usual legislative investigating committees, fortified by summary powers of law, mildly sought to ascertain the surface facts only, without probing too deep, they were, as a rule, obstructed at every turn.

Such facts as did become public came out adventitiously despite every effort of the magnates concerned to hush them up. Sometimes embittered competitors would supply revelations to investigating committees; on other occasions the magnates would seek to cheat one another in the division of the spoils or overreach at the other's expense, and then the quarrel would be thrown into the courts and some salient facts, at least, revealed. The point cannot be too strongly emphasized that for every one charge of crookedness and corruption that investigating committees and public officials made against capitalists, a hundred such charges were specifically brought by capitalists themselves against their own kind; a fact overabundantly attested in the voluminous court records from the very beginning of the United States Government down to the present.

MORGAN AND WILLIAM H. VANDERBILT

Had it not been for a row between various magnates in a transaction in which William H. Vanderbilt, J. Pierpont Morgan and other capitalists were engaged, and the consequent wrangling in the courts, certain facts pertaining to another of Morgan's feats could not be now ascertained. In one of the chapters on the Vanderbilt fortune it has been brought out how, in 1879, Morgan formed a syndicate to buy two hundred and fifty thousand shares of New York Central stock from William H. Vanderbilt, and how further, this stock, bought at 120, was, after a magical process of manipulation in the New York and London stock markets, sold at 130, thereby yielding the syndicate an immense profit. "This," wrote a biographer, "gained for Mr. Morgan the confidence of Mr. Vanderbilt, who intrusted him in 1885 with the task of adjusting the difficulties between the Central and West Shore roads."

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[10] Not until the entry of the United States into the World War, in 1917, did the Government adopt the method of selling bonds direct to the people. The process was a success.

[11] The scandalous circumstances of this bond issue made a lively stir throughout the country and aroused warm debates in Congress. On January 24, 1879, the United States Senate passed a resolution calling upon Sherman, Secretary of the Treasury, for information as to the alleged payments of double interest in regard to moneys received by banks and syndicates for bonds being allowed to remain on deposit with national banks pending the call for the bonds.—See Senate Executive Document, No. 9, 1879.

Morgan, however, did not need to solicit anybody's "confidence"; he was a truculent, aggressive financier, with a dominating, even fierce, personality, and with great power in his own field, that of banking. His mind was of that resolute masterful order declining to be balked by any man or set of circumstances, and his methods were not distinguished by delicacy. "His method of treatment is drastic," wrote this same biographer of his railroad organizations, "and the holders of junior securities have made many a wry face, but the method has seemed to be efficacious. From $1,000,000 to $3,000,000 is generally put down as the commission for reorganization going to the house of J. P. Morgan & Company [12] for knowing how to do it and doing it." Between these lines can be legibly read the nature of Morgan's "efficacious" methods; they will be still more illuminated, by force of his own words and acts, further on in this narrative.

Contrary to the description so widely and continuously disseminated, many capitalists were not men of personal courage, in the sense of standing up, man to man, and verbally "having it out," as the vulgar phrase went. The cunning, cupidity, turpitude and treachery so impregnated in business, and, in fact, the foundation of successful business, bred both a physical and moral cowardice. Well able, as they were, to fight their combats through lawyers, most capitalists, by reason of a certain degeneracy, lacked the faculty of exercising a strong, direct, personal, virile influence over men, such as a fighting pirate captain of the old days held over his band. Morgan was one of the few exceptions. United with his wealth there was in him a powerful bellicose personality, a tremendous vitality both of mind and physique; a man who imposed his will by sheer brute strength as well as by reasoning; who could convince by argument, and if necessary, bulldoze and terrorize.

Such a combination allied with wealth and education (for he was college bred) and a complete knowledge of all the tricks of the trade, was bound to prove invincible, or almost so. His very appearance, arising from an unfortunate facial disfigurement, added to his forceful aspect, and to the terror which he inspired. Not inappropriately did he name his yacht *The Corsair;* he was a modern embodiment, in a present-day guise, of some antique corsair, the qualities simply being transposed for adaption to new conditions.

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[12] The firm of Drexel, Morgan and Company was succeeded by that of J. P. Morgan and Company.

GREAT MAGNATES YIELD TO HIM

Instead of having to squirm himself into Vanderbilt's confidence, he compelled that haughty magnate to come to terms. This fact Morgan himself testified to in the suit arising from Vanderbilt's South Pennsylvania railroad project—a transaction which has been described heretofore. This litigation, it will be recalled, sprang from Vanderbilt's building a parallel line to compete with the Pennsylvania Railroad. Morgan, it was true, had acted as Vanderbilt's financial agent, but he also had heavy interests in the Pennsylvania Railroad, and his banking house represented large foreign holding interests in that line. Above all, he was on the sharp lookout for the interests of J. Pierpont Morgan.

How did he force Vanderbilt to sell his South Pennsylvania line to the Pennsylvania Railroad? In an examination, on December 13, 1885, before Examiner John H. Weiss in the Federal Court at Philadelphia, he related that when he returned from Europe in June, 1885, he "became satisfied that something should be done to bring more harmony among the trunk lines," and he added that he believed that "sufficient pressure could be brought on Mr. Vanderbilt to induce him to sell out." Of the specific nature of this "pressure," no explanation was given, but those familiar with the immense coercive power of the Pennsylvania Railroad, and the power of Morgan's bank, and that of his correlated banks, were not in doubt as to its significance. The treaty of peace between the warring magnates was finally made aboard Morgan's yacht. What was Morgan's part? To use his own language, he "bought from the South Pennsylvania and sold to the Pennsylvania." What his rewards as arbiter were was a fact not made public; we can conjecture that his bill was no slight one. This treaty, like all such agreements, was made only to be broken; the Reading Railroad which, under the pact, was to be indemnified for certain property, claimed that it was cheated; hence the suit.

Up to this time, that is to say, 1886, Morgan had figured little as a railroad magnate; his conspicuousness was more that of a powerful banker who made a specialty of reorganizing railroads. Let it not be supposed that the term "reorganizing" comprehended the undertaking of expensive improvements in the physical layout and operation of railroads; the introduction of safer appliances and equipment, and the minimizing of danger to passengers and to railroad workmen.

Reorganization included none of these things; there was not a railroad corporation in the country which did not violently contest the passage of laws requiring safety apparatus, and which did not violate such laws as were finally passed; progressively, the yearly death rate of passengers and railroad employees increased.[13] The profits, in the form of dividends, came not only from a series of extortions, but from the slaughter of a great number of men, women and children. The "reorganizations," so called, were not intended to change these conditions; their sole purpose was to put the railroads in a position where profits would be assured, no matter at what public expense or at what cost of life. After a railroad had been grabbed and thrown into bankruptcy by successive crews of capitalists, a reorganizer, such as Morgan, would step in, compel the creditors to settle at his own terms, force the small stockholders to consent to some new arrangement of stock, and issue new securities to be sold in Europe or America. In brief, a "reorganization" consisted in scaling down the debts, or summarily expunging them, and in devising new plans by which the profits would be greater.

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[13] The number of railroad employees killed or injured increased from 22,000 out of a total of 704,743 in service in 1889, to 92,178 of a total of 1,672,074 employed in

RECURRING CHARGES OF FRAUD

For doing this, Morgan was hailed as a man of wonderful constructive acumen—a financier of first-rate order. Frequently, however, as we shall see, the small stockholders did not share this opinion; and occasionally they forgot their expected gratitude so far as to charge him in court with fraud.[14] This was Morgan's great role for many years; as a reorganizer, not as a proprietary railroad magnate. The great railroad potentates of the period up to 1889 were the Vanderbilts, Goulds, Sage, Blair and Huntington. They were the men recognized in Congress as the lords of the railroad systems, which fact is patent from a scrutiny of the "Congressional Record," in which, with great abundance, recur wordy denunciations of them for gross corruption and for consecutive violation of laws. Morgan's name was not mentioned in these accusations.

But it was not long before Morgan came to the front as one of the foremost railroad magnates in the United States. His aggressiveness of character and action, his truculent boldness in smashing down obstacles, his contempt for artificial restraints of law, his disregard of public opinion, and his knowledge of how to apply power where it would produce the best results—all of these qualities and capacities were the very ones needed at that precise time.

1907—an increase from 3.12 per cent. in 1889 to 5.51 per cent. in 1907. From 1888 to 1907 not less than 53,046 employees were killed while at work, and more than 800,000 employees were either maimed or crippled. These figures were compiled from the annual reports of the Interstate Commerce Commission.

[14] For example: In the case of the Toledo Railway and Terminal Company, the Ohio Savings Bank and Trust Company filed a petition in the Federal Court at Toledo, Ohio, on August 5, 1907, asserting that fraud had been used in connection with the sale of that road, and charging collusion between Morgan and other railroad magnates. By this collusion, it was alleged, an agreement had been reached by which the property was sold at a low figure through the smothering of competitive bidding, and that this had been done to defraud unsecured creditors. The petition was overruled.

THE CAMPAIGN AGAINST THE MAGNATES

A troublous time the railroad and industrial magnates were having. It was the period when the middle class was most active in having all sorts of anti-trust legislation passed. This class was obdurately determined to keep things as they were. On the other hand, the great magnates, in line with the momentum of modern economic forces, were being forced into effacing the middleman in every direction, and in centralizing ownership. The middle class had the number and traditions; the magnates had the money and the power; as for the working class, despite its strikes, it was merely, in the long run, a pawn in the combat. The Standard Oil Company had built up its power largely by reason of the secret railroad rebates and discriminations. If a drastic law could be passed against the railroads, the middle class argued, the rising trusts would receive a fatal quietus—a futile kind of reasoning, but one sincerely believed in at the time and for a long time afterward. The great aim of the middle class, therefore, was to get through Congress a strict interstate commerce law, such as would, under heavy penalties, forbid rebate giving and railroad pooling.

The Congressional sessions of 1884, 1885 and 1886 were, to a great extent, occupied with long debates over this proposed law. The middle class was quite sure that it was the victor. Senator followed Senator, Representative followed Representative, in arraigning the railroad magnates. If speeches signified anything these magnates were already on the highroad to defeat and to prison. Senator Van Wyck, of Nebraska, thundered for days at a stretch. "For years," said he, "capital has been organized, bold, unscrupulous, rapacious, law-defying, moving as did Gould, according to his sworn testimony, in New York, and Huntington, by the evidence of his own written testimony, upon State legislatures, upon the courts, upon the Congress of the United States, unblushingly purchasing judges and legislatures. . . . In a republic they despise the people and control its representatives." [15] "The time has come," put in Senator Conger, "when generalities, glittering and otherwise, will not satisfy the demands of the people. They demand a positive, incisive, direct and plain law." [16] Senator Call, of Florida, had his say, and it was a long one, none of which is worth quoting except his assertion that the railroads had issued $3,000,000,000 of bogus bonds, and that they were assessing the people of the United States to pay an actual taxation of $300,000,000 yearly.[17] More than one Senator and Representative dwelt indignantly upon that $300,000,000 of annual enforced taxation extorted by the railroads. And so the debate went wearily on, tiring out everyone but the talkers themselves, whose stock-in-trade was talk. Would the flow of words never end?

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[15] "Interstate Commerce Debates in Forty-second Congress," 1886-87:62.

[16] Ibid., 127.

[17] Ibid., 148.

THE MIDDLE CLASS TRICKED AND BEATEN

At last an interstate commerce law was passed. Great was the rejoicing among the middle class. Its components exulted in their victory, and in visions foresaw their dominance soon restored and the trusts ruined and extinguished.

But after a comparatively brief interval their jubilation became blank dismay. This law, this great, long-agitated-for law, which was to intrench them so effectively, turned out to be an utter sham. On its surface its provisions read fair and smooth; but when it went to the courts the perforating began, as its authors intended, and for which contingency they had expressly and equivocally drafted it. One clause after another was, on this or that ground, declared inoperative by the courts; the Interstate Commerce Commission, which the law established, had not even the power, it was decided, to compel the attendance of witnesses, and the courts refused to grant writs of subpœna in aid of its proceedings. Furthermore, railroad officials (who were the only persons whose testimony could secure a conviction) were excused from testifying on the ground that by so doing they might incriminate themselves. In a word, the Interstate Commerce Commission, on the establishment of which as a peremptory tribunal the middle class had built such high hopes, was found to be nothing more than an inane body which was allowed to devote itself to the harmless pastime of collecting statistics, but was empowered to do nothing more serious.

Again the bewildered middle class found itself woefully routed. While it had been holding meetings and talking and petitioning, the magnates had sent a stream of "silent arguments" coursing through the exalted wall of Congress. And, in fact, some of the very members of Congress who were so vigorously inveighing against the "high-handed" corruption of the railroad magnates, and demanding punitive laws, were, at this very time, themselves implicated in a great scandal.

THE PAN-ELECTRIC SCANDAL

This was what was called the "Pan-Electric Scandal"; and if any reader desires to acquaint himelf with the vast ramifications of corruption in Congress, in the courts and in the legislatures at the time let him (if he dare) read the 1,284 pages of testimony taken by a Congressional Investigating Committee.[18] The Pan-Electric Company was a competitor of the Bell Telephone Company: at least, it energetically attempted to be. The Bell Company had already established the validity of its patents in the courts, although not without having to face and fight down charge after charge on the part of other inventors that it had appropriated the fruits of their inventions. The testimony before this particular Congressional Committee was full of charges, sometimes mere insinuations, at other times open accusations, that in order to attain its victory, and to secure favorable decisions, laws and franchises, the Bell Telephone Company had bribed Congress, the various legislatures and judges either by money or by gifts of stock.

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[18] See House Miscellaneous Documents, Forty-ninth Congress, 1885-86, Vol. xix.—"Testimony taken by the Committee Relating to the Pan-Electric Telephone Company."

Against the Bell Company the Pan-Electric Company seemed powerless; but as a last resort, its promoters began a campaign of corruption to get the United States Government to move in the courts for the vacating of the Bell patents. Large blocks of stock were distributed among various influential Senators and Representatives, some of whom offered no objections to being made directors of the Pan-Electric Company. United States Attorney-General Garland upon whose say-so depended whether the suit for vacating the Bell patents should be brought or not, held, it was charged, not less than $10,000,000 of stock in the Pan-Electric Company, for which stock he had not paid a dollar. When the Pan-Electric promoters were interrogated as to these methods they cynically pointed out that the Bell Telephone Company had begun its career by using precisely the same methods. In this fight, the Bell Telephone Company succeeded in completely vanquishing its threatening competitor, the Pan-Electric Company, which soon passed into nothingness.[19]

Such was the majority composition of a Congress from whom the middle class expected such great and public-spirited reforms; this was the Congress which was to pass laws that would forever check "the greedy, insatiable inroads of the monopolies!" "Monopoly" was the particular bugbear of those years; the generic thing that politicians could always conveniently convert into personal political capital in their constituencies by flagellating it with roars of denunciation, which was an exceedingly popular pose. The word "Trust," be it noted, as signifying a complete monopoly, had not then come into popular usage. Those virtuous outbursts in Congress against the monopolies, served the purpose well, but one overshadowing fact neither the middle class nor the working class seemed to note, namely, that whatever might be *said* in Congress, nearly every bill apparently drawn to curtail the power of monopolies and wealth was so ingeniously drafted that its so-called vital provisions failed to stand the test of the courts. Yet the lawyers in Congress who drew these bills were ranked as the foremost "Constitutional experts" in the land—a situation not at all contradictory to those who understood the double-faced nature of the performances at Washington.

Many States were passing drastic anti-Trust laws. These laws did not essentially arrest the growth of Trusts, but they did have the effect of spreading a certain timidity among magnates or would-be magnates. The power of wealth, it was true, controlled the machinery of Government, and criminal proceedings were little to be feared. Still, with the public temper in the inflamed state in which it was, there was never any telling what might break forth.

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[19] The present Telephone Trust originated in the Bell Telephone Company. J. Pierpont Morgan was a large stockholder.

The great railroad magnates, in particular, were tired of a competition resulting in the cutting of rates, increased expenses, and diminished profits. They were eager to form a combination effective enough to prevent competition in the respect of undermining one another's freight and passenger rates. With such an agreement in force, profits would be immensely increased, and upon the strength of those increased profits, more watered stock could be issued.

MORGAN AN EMERGENCY LEADER

But who was audacious enough to undertake the initiative in forming this combination? In a way, it was a perilous thing to do. If unbought or unintimidated public officials should take a notion to prosecute criminally, its promoters and beneficiaries were liable, upon conviction, to a long sojourn in prison. Vanderbilt, Gould and Huntington and other magnates, while caring nothing for law, did not choose to take the lead; moreover, as they were jealous and distrustful of one another, it would not have been judicious for anyone of them to have done so.

The ideal leader in this exigency was J. Pierpont Morgan; and how he stepped forward and molded the nebulous plan into a definite, concrete combination, will now be related.

Chapter XXI

MORGAN AS A BANKING AND RAILROAD GRANDEE

ON January 2, 1889, a circular marked "Private and Confidential," was issued by the three banking houses of Drexel, Morgan & Company, Brown Brothers & Company, and Kidder, Peabody & Company. The most painstaking care was exercised that this document should not find its way into the press, or otherwise become public. Indeed, extraordinary measures were taken to surround its contents with every precaution of secrecy.

Why this fear? Because the circular was an invitation, tacitly understood as a command, to the great railroad magnates to assemble at Morgan's house, No. 219 Madison avenue, and there form, in the phrase of the day, an iron-clad combination. The plan was to make a strict compact which would efface competition among certain railroads, and unite those interests in an agreement by which the people of the United States could be bled even more effectively than before. For the sake of appearance, in case the nature of the undertaking should leak into public print, the promoters garnished over their real purposes with a string of diverting phrases. Their sole aim, so they pleasantly indited it, was an association "to maintain public, reasonable, uniform and stable rates," and they added that another object would be the gathering of statistics regarding railways.

Such subterfuges deceived nobody but the credulous or uninformed.

A HISTORIC MEETING IN MORGAN'S HOUSE

That circular was a historic document, well worth more than passing notice; and he who was familiar with the forces then at work rightly considered it of far greater importance than a series of Presidents' messages, ordainments of Congress or Courts' decrees.

At a time when the whole gravamen of law and juridical precedent was being used to insist upon industrial forces remaining stationary and stagnant, this circular came as a proclamation of defiance. Common and statute law sternly declared that the thing called competition in trade must be kept alive, and that if it could not sustain itself by its own merits, the law should demand its maintenance. The causes producing and justifying competition were passing away, but none of the law-making bodies recognized the newer conditions, nor made any provisions for them. But the magnates realized that the old indiscriminate system of competition was rapidly becoming archaic, and that the time was ripe for a more systematic organization of industry. And so, while Congress and the legislatures were busily enacting law after law, supposedly edicts of "the sovereign people of the United States," a few magnates issued a brief circular which intrinsically was of far, far more binding weight than entire volumes of statutes impotent, in the long run, in the face of onrushing economic forces.

But the ideas of the people at large were against any overthrow of the competitive system. Tone their statement of purposes down, as the magnates did, and however harmless they might represent their aims, the plan of this group of bankers and railroad grandees was certain to arouse the sharpest suspicions. A restless, sullen state of mind pervaded the mass of people. Distrustful of any assertions made by the magnates, they were ever ready to see sinister projects beneath bland announcements. Furthermore, the magnates' definition of "reasonable" was diametrically different from that of the people at large. Matters and charges that the magnates honeyed over as "reasonable adjustments," impressed the popular understanding as extremely unreasonable; as gross extortions of which the law should take stern notice.

WRECKING THE OPPOSITION GRADUALLY

At the behest of popular forces, laws directed, superficially at least, against the magnates' arbitrary power and concentration of resources were everywhere being passed. Since the putting down and dissolution of the great labor movement of 1886, serious inroads from that quarter were no longer feared. But the work of extinguishing the smaller capitalists class had to be proceeded with slowly and discreetly.

Workers' uprisings, political or other, could be crushed by force and court decrees and by bribery and fraud at the polls. In any emergency the whole middle propertied class would stand with the great propertied interests in subduing the working class. Yet when the fight for supremacy was one confined to the middle class and the plutocracy, the magnates had good reason not to attack too openly. The country swarmed with organizations of manufacturers, jobbers and small tradesmen, and in the West and South the Farmers' Alliance, an ally, was at its strongest. These elements arrogated to themselves the distinction of being "the public." The labor unions had only a few obscure trade journals to disseminate their views and voice their demands. Although comprising the immense bulk of the voters, the workers had not a single real representative in political office. But the interests of the middle groups were represented by thousands of newspapers and journals; by a host of political spokesmen and lawyers and college professors, and by the force of prevalent law and commercial institutions.

In warring upon the magnates the most persistent argument that the middle groups used in their appeal for sympathy and support, was that the extortions of the magnates were immoral. Precisely as, when the workingmen in previous decades had struck for a shortening of their hours of daily labor, the manufacturers had declared the movement insurrectionary and immoral, so now they used the same plea against the exactions of the magnates. When the workers complained that their bosses oppressed them, the bosses retaliated with the charge that the workingmen were unruly, and that their demands for redress were not based on morality. But when the magnates squeezed the manufacturers, jobbers and retailers then these divisions made vehement lamentations that they were the victims of an immoral conspiracy.

Nothing could exceed the baseness and hypocrisy of what was called the independent manufacturing class. It demanded the wildest latitude in law in placing no restrictions upon it either in exploiting its employees, or in robbing back from them in various swindling ways the meager wages it paid. It insistently fought the workers' struggle for a shorter workday and more wages; it opposed the passage of even slight laws for the protection of the workers' labor; it combated movements for factory and tenement reforms. At the same time it insisted upon its right to make and sell shoddy goods and adulterated products, and sell them at extortionate prices.

The many laws which, after strong agitation on the part of labor organizations and various other bodies, the different legislatures were passing at this time, indicate the widespread practice of manufacturing and selling adulterated and often poisonous foods and drugs. The passage of these laws had long been contested by the capitalist class, as a whole; and even after they were enacted, they were not generally enforced, and were so ineffective that, many years later, during President Theodore Roosevelt's administration, a National Pure Food Act was passed by Congress after the severest and most persistent opposition on the part of the beneficiaries of the frauds. This law, also, as we have elsewhere pointed out, had its deficiencies and loopholes.

In 1879, Wisconsin enacted a penal law, providing penalties for the adulteration of foods and drugs. Ohio, in 1887, 1896, and 1898 passed laws for the punishment of various kinds of adulteration. New York, in 1893 and 1898, passed laws forbidding the fraudulent sale of certain imitation foods and certain fraudulent stamped goods. After years of agitation, Massachusetts, in 1897, passed a law prohibiting the manufacture or sale of adulterated food. Missouri, in 1889 and 1897, passed laws against the adulteration of certain foods. Iowa enacted laws for the punishment of those selling adulterated milk, cheese, butter and linseed oil. Illinois, in 1881, passed a law against the fraudulent manufacture or sale of imitation butter, and re-enacted it in 1897. New Jersey, in the same year, passed an act to prevent the adulteration of foods and drugs, and enacted another law in 1897. Pennsylvania prohibited the sale of adulterated drugs, and provided penalties for the adulteration of milk and cream. Michigan, in 1895, passed an act to prohibit and prevent adulteration, fraud and deception in the manufacture and sale of articles of food and drink. Nebraska and Kentucky passed similar laws. South

Dakota, in 1885, enacted penal laws relating to the adulteration of food and drink, and, in 1897, passed another act increasing the penalties. These are some examples of the various State laws. Nearly all of the States also passed laws against the sale, by fraudulent weights and measures, of coal, wheat and various other foods and commodities.

CHARACTERISTICS OF THE MAGNATES' CRITICS

Not a move, on the other hand, could the magnates make without the middle groups raising the cry of fraud—a not untrue accusation, it is hardly necessary to say, but one singularly ill-chosen from a class itself gangrened with fraud. The Farmers' Alliance and kindred organizations virtuously fulminated against the extortions and frauds of the magnate class; the cattle dealers of the Southwest especially were not merely bitter, but rancorously so, against the railroad kings. Yet all of the large cattle ranches had been obtained by fraud in more or less degree.[1] The cattlemen not only practiced extortions, but in their economic wars with adjacent cattlemen, forced their cowboys to fight and kill the cowboys of their neighbors, and risk being killed themselves; nearly all of those cowboy affrays so romantically described in fiction, arose from nothing more or less than economic disputes between competing rival master cattlemen.

To say that the entire manufacturing class was defrauding and swindling in every conceivable form is but to state a truism elaborated upon specifically in many a public document.

Leaving aside the current stupendous frauds in profiting from misleading semi-worthless merchandise, or adulterated products sold under false pretenses—a traffic shared in by wholesaler, jobber and retailer; aside from this phase and a multitude of other phases, we shall simply give one typical graphic example of what the manufacturers were doing in one of the largest manufacturing States in the Union. While protesting against the evasion of taxation by the railroad corporations, the manufacturers were defrauding in the one item of taxation alone of a sum gigantic in the aggregate. "It is a notorious fact," reported Comptroller Morgan, of New York State, in 1900, "that hundreds of manufacturing companies, whose plants are located in this State, whose business is chiefly transacted here, and which for all practical purposes are New York enterprises, escape all indirect taxation in this State, and much local taxation, by being incorporated in other States." They paid substantially nothing for fire and police protection, Comptroller Morgan added.[2] Yet in case their employees struck, these manufacturers were ever ready to requisition the pretext of violence and demand police and militia to club or shoot them into submission. This had been a long-continuing condition of affairs in every State.

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[1] See House Reports, Forty-eighth Congress, Second Session, 1884-5. Executive Document No. 267:xxviv. This document deals with the Texas ranches. In previous chapters of this work many facts have been given from official documents showing the illegal, and often violent, seizure of cattle ranches throughout the West.

[2] Annual Report of the Comptroller of New York State, 1900:xxiii.

MORGAN DIRECTS MATTERS

These facts will give a fairly clear idea of the composition and pretensions of those middle groups which the news of the meeting in Morgan's house was bound to excite into convulsions. A momentous gathering it certainly was that assembled in Morgan's mansion on January 8, 1889. Who were they we note there? Apparently private citizens; in reality monarchs of the land: Jay Gould with his son George, held by the leading strings; Stickney, of the Northwest territory; Roberts, of the Pennsylvania Railroad; sleek Depew, echoing the Vanderbilts; Sloan, of the Delaware, Lackawanna & Western Railroad, and a half dozen more magnates or their accredited mouthpieces. The honorable legislatures could gravely discuss the advisability of this or that legislation; the noisy "Congress of the United States" could solemnly meet and after wearing out months in rodomontade, profess to make laws; the high and mighty Courts could blink austerely and pompously hand down their decisions. But in that room in Morgan's house sat many of the actual rulers of the United States; the men who had the power in the final say of ordering what should be done.

Morgan was chairman of the meeting, and with wonted brusque directness went straight to the point. Thanks to a stenographic report of the proceedings which fortunately we were able to get hold of, the work of that meeting was clear. The name of the organization was to be the "Interstate Commerce Railway Commission"; its essential purpose the cessation of competition among its members. But how was any magnate to be prevented from competing with another, or stopped from encroaching upon another's domain? What penalties should there be, and how could they be enforced? Certainly no law could be invoked to compel the carrying out of such an agreement, for the law explicitly prohibited combinations, and any legislation would not only be outlawed, but would reveal the extent of the whole criminal compact.

HE DELIVERS A MANDATE

There was, however, a far greater power than that of law, namely, the power of massed money. If any magnate present were inclined to balk at the prepared program he was brought to an instant realization of the punishment when Morgan announced:

> I am authorized to say, I think, on behalf of the [banking] houses represented here that if an organization can be formed practically upon the basis submitted by the committee, and with an executive committee able to enforce its provisions, upon which the bankers shall be represented, they are prepared to say that they will not negotiate, and will do everything in their power to prevent the negotiation of any securities for the construction of

parallel lines, or the extension of lines not approved by that executive committee. I wish that distinctly understood.[3]

The threat, or promise, as it could be differently interpreted, was assuredly understood. Vast as was the wealth of the magnates present or represented, neither any one or a combination of them, dared (had they been so disposed) to defy such an ultimatum. To do so meant inviting the vindictive, crushing wrath of a clique of national and international bankers whose money and power could be used with the most destructive results. Nor was there any possible way of appealing to a higher power.

What if many of the State legislatures had penalized combinations in restraint of trade? What if the irate middle groups were frantically clamoring for the enforcement of these laws? What if in both common and statute law this coercive decree of the bankers was criminal conspiracy? Every man in that assemblage knew that, judged by prevailing laws, he was participating in a conspiracy, yet no apprehension was acutely felt that the numerous national and State laws would be strictly enforced against him. So confident of its ground was the meeting, that the subject of possible prosecution was not given a thought. The sacred doctrine, the "inalienable, undeprivable right" of competition was, without any ambiguity or ceremony, given a deadly blow. For that, if for no other reason, the meeting was memorable. The magnates were sure of immunity. To them laws were instruments not obstacles; the same code of laws which they lightly stamped under foot they could always successfully use against workingmen on strike, as they did, for example, five years later, in the great railroad strike of 1894, when Federal troops were ordered out at their command to overawe, and, if necessary, mow down the strikers.

Another phase of that meeting (a "conference," as it was called) deserves mention. How much of a vacuity men were considered, magnates though they were, and how all important property was held, was shown by the method of voting. As each proposition was advanced, it was put to a vote. The names of the magnates were not mentioned in the roll-call; it was the corporate railroads which were expected to vote and which did vote. Thus, instead of Gould's name, the name of his railroads was called; the Missouri Pacific and the Wabash voted, not Gould. What could have been more beautifully simple and direct, so free from cant, so faithful to the spirit of the human money bags present?

If a mere threat of the powerful bankers, led by Morgan, was enough to convince or overawe a group of the railroad dictators of the United States, what could not the banking power accomplish when it actively concentrated its might of money upon a given object? Neither capitalist foes nor any government could withstand it. The extremes to which it could go in successfully executing its plans and in dissipating all obstacles by its terrorism, was typically shown in a noted bond deal, in 1895, whereby the United States Government was held up by a syndicate of bankers headed by Morgan, and forced to give over a virtual gift of many millions of dollars for the privilege of having a nominal and transient claim on a supply of gold which those same bankers had drained from the United States Treasury only a short time previously.

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[3] "Proceedings of Conference Between Presidents of Railroad Lines West of Chicago and St. Louis, and Representatives of Banking Houses, held at No. 219 Madison Avenue, New York, January 8 and 10, 1889":36.

THE WALL STREET VIEW OF MORGAN

Before describing this transaction a digression will be made to chronicle some intervening facts in Morgan's career. His father died in 1890, bequeathing to him a fortune superficially estimated at $10,000,000. But it is needless to say that J. Pierpont Morgan was already a seignorial multimillionaire. That he was intensely hated by a large portion of the element in the financial district was undeniable, but it was a hatred caused not by objection to his methods, but because he eminently surpassed in either the brutality or finesse of those methods. All of his decriers of his own rank had at basis some personal grievance resolving itself into a rankling enmity at being outwitted or outdone by Morgan. Had he given them the slightest opening they would have enmeshed and swindled him and gloated over the deed.

But with the exception of one distinguished antagonist, to whom we will refer later, he anticipated and overcame them all, and left many of them with the embittered memory of their collision with him, but with nothing more substantial. No doubt Morgan's personality had much to do with this current hatred on the part of those who came into contact with him; he was at no time to be suspected of being of the unctuous order of men, full of blandishments and sweetened guile. Rather, he was a sort of plug-ugly in the financial purlieus, belligerent and ruthless, with a rough, dictatorial manner, unsparing of the feelings or interests of those who in any way crossed his will or plans.

Those personal details, however, were not known to the great mass of the people the country over. The popular conception of men in public notice was derived almost wholly from what the newspapers said, and these constantly, with rare departures, portrayed Morgan as a great financier and benevolent gentleman. In Morgan's financial transactions immense numbers of people lost, in the aggregate, great sums of money torn from them in the stockjobbing operations in Wall street. But they did not blame Morgan personally; their bitterness was cast at the generic monster called Wall Street. And yet not a single one of those thus stripped had not deliberately set out to enrich himself at someone else's expense; even those who put their funds in stocks for the purpose of "legitimate investment," did so with the full knowledge that the lower the wages paid on the railroads and in the factories, and the longer the daily labor of the workers, the brighter were the chances for a larger dividend.

At the same time, while hated in the financial district, Morgan was deeply feared for his far-reaching power, and what were considered his relentless methods both in accomplishing his ends and in settling scores. Observers usually described him, in the slang of Wall street, as a man who was in business "for all there is in it." As though anyone else were in Wall street for a different purpose! His policy was regarded as that of finding a weak spot in a corporation and then "squeezing it for all it was worth"—a very much biased accusation, inasmuch as every other successful financier incontrovertibly pursued the same methods, although not always in the same way. His favorite expression, when questioned about his transactions was, "I am not in Wall street for my health." His enemies whispered about that he was a "freebooter in finance"; his admirers—those who profited by his bounty—loudly proclaimed his greatness.

HE COMES TO THE FRONT AS A COAL MAGNATE

Of Morgan's methods in seizing, in conjunction with William H. Vanderbilt, the Philadelphia & Reading Railroad from McLeod, in 1893, we have already given a description. In that account it was shown how, when McLeod pressingly needed funds both to finance his railroad's coal combination and to pay for improvements, he found that the leading banking institutions had impaired, and then cut off, his credit. Morgan and Vanderbilt were then able to assault and beat down the price of Reading stock, buy large quantities of it at a very low figure, and gain control of the system. As a railroad, the Reading line was not extensive; its great value lay in its ownership of anthracite coal mines, of vast unmined deposits, and in its coal-carrying traffic.

To his other manifold powers Morgan now added that of coal magnate. The Constitution of Pennsylvania, as we have seen, expressly forbade railroad corporations from owning and operating coal mines. But that law did not exist which the very rich were not able to evade. Dummy holding companies were organized; and, although everybody knew that these companies were mere subterfuges, the public authorities took no action, and when, after many years of inactivity, they, with indifferent energy brought suit, the case was appealed by the magnates to the Supreme Court of the United States, from which, in 1909, the railroads emerged victorious with a decision of so equivocal a nature as to be tantamount to one in their favor.

Two immediate results signalized Morgan's entry as a monarch of the coal fields. To both we have adverted in a previous chapter, but they will here bear repetition. Every housekeeper using hard coal was taxed to add more millions to Morgan's fortune; the price of stove coal was raised from $1.25 to $1.35 more a ton than had been charged before. The second result was the more rapid process of crushing out the independent coal operators. By a concatenation of ruthless methods [4] these independents were ruined and driven out, not without much wailing against oppression, and shrill charges of fraud.

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[4] See testimony before the House Committee on Interstate Commerce, House Reports, Fifty-second Congress, Second Session, 1892-93, Vol. i.

Yet the very mines which they were virtually coerced into giving up had been secured by fraud, either by them or by their predecessors. The law records of the State of Pennsylvania reveal case after case, before and after the Civil War, of fraudulent tax sales of lands containing coal; and the bribery of the Pennsylvania Legislature by individuals and corporations for coal mining and other kinds of charters and special rights had been so admittedly brazen that, in 1847, the Legislature, with self-righteous display, was constrained to pass an "Act to Define and Punish the Offense of Bribery," making the crime of giving or receiving a bribe a felony, punishable with a fine not exceeding $5,000 or a sentence of five years in prison.[5] This law was treated with levity; it had no other effect than to refine and obscure the methods of bribery. Another act was passed on March 3, 1860, and a third on April 29, 1874, which laws were likewise facetiously regarded by the seekers of vested privileges, and the bribery went on persistently.[6] Time after time the Legislature of Pennsylvania was forced to appoint investigating committees to report on this or that charge that bribes had been used; one of the few times when any of the bribed ever went to prison was in the Riot Indemnity Bill trials in 1879-80.

Some excuse was needed to give the appearance of a necessity for the great increase in the price of coal. The coal magnates supplied it beforehand. They inquired how they could avoid charging more. Had not the production of coal fallen? And were not the freight rates extremely high? But the Government knew that these claims were fabrications. The House Committee on Interstate Commerce had unanimously reported that the coal magnates had deliberately reduced the output of coal; that although the capacity of the collieries was 50,000,000 tons a year, yet only about 40,000,000 tons were being mined, so as to make a show of scarcity. And as regards freight rates for coal the committee reported, "Although coal in freight can be handled cheaper than almost any class of freight, yet it pays nearly double the rate of wheat and cotton."[7]

Without quibble, this combination was a conspiracy, criminally and civilly liable. But neither National or State law was enforced against it. The House Committee reported that the Interstate Commerce Act was too ineffective a law to proceed under, and that ended talk of criminal prosecution. The Government machinery of the United States practically became (as it did in so many other instances) an accessory of the coal combination in allowing it to squeeze more huge extortions from the sufferings of the mass of the people.

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[5] Laws of Pennsylvania, 1847:217.

[6] One of the many continuous scandals growing out of the coruption of the Pennsylvania Legislature was that of the passage of an act in 1876 in the interest of the lumbermen. Members of the Legislature were paid or offered from $300 to $500 each to vote for or against the bill. This bill was entitled, "An Act to Regulate the Amount of Toll and Other Charges to be Laid and Collected by Boom Companies." It was fought by certain interests. See, "Testimony Before the Committee to Investigate the Means to Secure or Defeat the Passage of the Boom Bill," Pennsylvania Legislative Docs., 1876, Vol. v.

[7] House Reports, etc., 1892-3, i:iv.

The boasted Government "of, for and by the people," was a Government run wholly by the great propertied interests as a necessary appendage, based upon force, for compelling the people to submit without redress or quarter. Such operations as this explain how Morgan's fortune leaped by millions at a time; every dollar extorted in that increase of price came very largely from families who, already burdened by a thousand and one extortions, were forced to suffer still more keenly; each new compression from above drove them deeper into abject poverty, with all its demoralizing and horrible evils. The whole edifice of capitalism was built on a vast, ghastly charnal house, overcrowded with the bones of numberless victims. Yet the industrial grandees who thus slaughtered with impunity in the insidious ways of trade paraded themselves as very devout men: Morgan was a vestryman of St. George's Church, New York City, and ostentatiously passed the contribution plate in the name of Christ.

To this coal transaction of Morgan's there was a sequel, showing how, and by what methods, he expanded as a coal dictator, but the recounting of this will be deferred to its proper chronological place, and that famous bond deal of his in 1895 will be considered.

TRANSFERRING GREAT RAILROAD SYSTEMS

The two Drexel partners of his, Frank and Anthony Drexel, passed away, each leaving an estate of $25,000,000. They, too, had acquired the glorious name of philanthropists; before dying they had together given away the sum of $8,000,000 to found sundry charitable institutions in or near Philadelphia. Since their partnership with Morgan they had, of course, shared in all of his transactions. Some of these we shall have to pass over with only a reference, inasmuch as the facts are exceedingly involved. But this one point sticks out: Great railroad systems, in the building of which neither Morgan nor his associates had in the slightest participated, which had been constructed largely with public funds and gifts of public land, and which they had never seen until long after they were in operation:—these railroads suddenly passed into the ownership of the Morgan combine, which largely meant Morgan.

How did this transformation come about? Shall we have to retell the old story; the original looting, the bankruptcies, reorganizations, and tricks of finance, squeezing out of creditors and small stockholders? However glib financial writers attempted to explain it, or with whatever fine phrases apologists glossed it over, the matter reduced itself to this trenchant fact: That Morgan became possessed of great railroad systems, with the initiation and operation of which he had had no more to do than a babe. The Industrial Commission reported these railroads as being in the "Morgan group" by 1901: The Southern Railway, with its

6,807 miles of track; the Mobile & Ohio Railroad, the Queen & Crescent, the Central of Georgia (later taken over by Harriman), the Georgia Southern & Florida, the Macon & Birmingham, the Philadelphia & Reading, the Lehigh Valley, the Erie (subsequently acquired by Harriman), the Central of New Jersey, and the Atlantic Coast line.[8] The total extent of these railroads was 19,073 miles.

Compared to the tortuous and difficult details of Morgan's "reorganizations," the tale of his United States bond transaction of 1895 is simple enough to be easily comprehended.

As gold was the international trade standard of value, the United States Government followed the policy of holding a certain amount as a treasury reserve. When, by reason of some cause or other, this reserve was depleted the Government was compelled to issue bonds to replenish it.

The powerful junta of leading national and international bankers definitely and deliberately forced the United States Government to put out these bond issues. This they did by draining the treasury of its gold, and by then going through the empty form of selling back that gold in return for bonds. The treasury notes, comprising much of the currency of the United States Government, were redeemable in coin. This provision was construed as calling for payment in gold. The bankers would take over to the sub-treasury in New York City great stacks of treasury notes and exchange them for gold. This gold they would then hoard in their vaults. The Government authorities were fully aware of this proceeding, and knew quite well that the ulterior purpose was to force a bond issue. After the banking clique had obtained the bonds, it could do two things —sell large amounts of them, at enhanced premiums, to smaller banks, savings banks, insurance companies, estates and investors in general, and it could use such portion of the issue that is kept as a basis for issuing new currency. The large private bankers, such as Morgan, had their chain of auxiliary national banks, by means of which bond issues could be converted into currency, and the time-honored extortion of getting a double interest could be managed.

"MILKING" THE GOVERNMENT

In 1894 the Government had been drawn into handing over two bond issues of $50,000,000 each to these bankers. Their profits, it is estimated, reached tens of millions. With the advent of the year 1895 the United States Treasury was again emptied of gold. Where had the gold, which the Government had purchased only a short time previously at usurious rates, gone? The reports of the large banks gave the answer. By the end of January, twenty-six banks in New York City had in their vaults a hoard of $65,000,000 in gold. Presently the amount totaled $129,000,000, all told. The Government shrieked in helplessness; President Cleveland was reported as saying privately that "the banks have got the country by the throat."

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[8] Final Report of the Industrial Commission, 1902, xix:308.

At the appropriate moment a syndicate of bankers appeared in the open and magnanimously offered to supply gold to the Government in exchange for bonds. This syndicate was composed of J. P. Morgan & Company, August Belmont & Company, representing the Rothschilds; James Speyer, the National City Bank and four other extremely powerful national banks.

In the negotiations with President Cleveland for the bond issue, Morgan's emissary and clever man of law was Francis Lynde Stetson, who had been regular counsel for Morgan since 1887. Stetson had been Jacob Sharp's attorney at the very time when, in 1884, Sharp had bribed the New York Board of Aldermen with $500,000 to give him a franchise for a surface railroad on Broadway. His activities in Sharp's transactions caused him to be subjected to some severe questioning in 1886 by the New York State Senate Committee on the Broadway Railroad. After Sharp had successfully bribed the New York Aldermen, Elkins and Widener, who were likewise bribing the Philadelphia Common Council and the Pennsylvania Legislature, and who became multimillionaire street railway magnates, tried (although for the time unsuccessfully), to lease the Broadway Railroad for a term of 999 years, and as an earnest of good faith, deposited 10,000 shares of Broadway stock, which they had secured, with Drexel, Morgan & Company.[9] Morgan knew that every one of these shares was the product of bribery, and that the whole Broadway franchise had been so obtained. Perhaps Stetson's excellent and adroit work for Sharp highly commended him to Morgan.

After Cleveland had been defeated in his candidacy in 1888 for a second term as President of the United States, he resumed the practice of law, and formed a partnership with Stetson. Cleveland was reëlected President in 1892; thereafter Stetson was a frequent and confidential caller at the White House. These various circumstances were much commented upon, and with particular animadversion, when Cleveland was virtually charged in 1895 with openly selling out the people of the United States to the Morgan syndicate, represented by Stetson.

EIGHTEEN MILLIONS AS A GIFT

The situation, then, was this: The syndicate had squeezed the United States treasury of its gold; it had then compelled a bond issue, and declared that it alone could supply the required gold. This was a transparent falsehood. Many members of Congress urged Cleveland and John G. Carlisle, Secretary of the Treasury, to make the bond issue a "popular" one, by selling direct to investors. Cleveland and Carlisle, however, turned over the $62,000,000 of four per cent. bonds to the Morgan syndicate at the price of 104. The syndicate immediately resold the bonds to investors in America and in Europe at 118, 119 and 120, clearing, it was estimated, in direct profits, about $18,000,000.[10] This sum represented the sum that would have gone to the Government had the sale of bonds been accomplished without this intermediary operation. The contract with the Government entirely dictated by the bankers, headed by Morgan, gave the syndicate, furthermore, an option on all bond issues up to October 1, following, and allowed it to choose its own time to deliver one-half of the total amount in gold.

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[9] See testimony of James W. Forshay, president of the Broadway and Seventh Avenue Railroad Company, New York Senate Committee on the Broadway Railroad, 1886, 491-492.

From every public quarter came the severest denunciations of Cleveland, on the one hand, and Morgan, on the other. Even partisan newspapers and periodical supporters of Cleveland condemned the bargain as scandalous, and declared that the Government had been shamelessly "buncoed," if, indeed, no worse charge could be brought against its chief executive.[11] His own political party repudiated Cleveland. But a significant insight into the indifference with which the great magnates viewed storms of criticism was furnished by the fact that Morgan ignored the denunciation of his acts, yet deeply and openly resented a published description of himself as a "ruby-visaged magnate." He was very sensitive as to his facial deformities.

So far as strictures on his acts went, they soon passed away, and the very journals which had been foremost in verbally flaying him, reverted to their old sycophantic policy of extolling him as an illustrious financier and philanthropist. Of all the magnates, none had a more biting contempt for the newspapers than Morgan. None knew better than he that whatever outbreak they might occasionally make, their course on the whole could be easily controlled by the great propertied interests.

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[10] The bond contract made with the Government, on February 8, 1895, was kept secret for some days. After the issuance of the bonds, Morgan personally superintended the receipt of the bids at his office. The rush to buy bonds from him was so great that twenty-two minutes after the bidding began, he announced that no more bids would be received; that the whole supply of bonds had been sold.

[11] Hardly had the gold reserve obtained by this $62,000,000 bond issue been obtained, than it was again quickly drained by the bankers. In the latter part of 1895, sinister rumors spread that a new bond issue was under way. These rumors were confirmed by the issuance of a private circular by J. Pierpont Morgan and Company, announcing their purpose to form a syndicate to take over an expected additional issue of $200,000,000 Government bonds. Morgan and his associates anticipated a profit of $20,000,000. Evidently, Morgan knew the precise amount the Government intended to borrow; when the Government issued its call, its terms corresponded with those of the Morgan circular issued one week earlier. Such a public uproar resulted, that Cleveland and his Cabinet were compelled to throw over the Morgan syndicate, and the new loan was "popularly floated," at a saving to the national treasury of $20,000,000.

It need scarcely be remarked, as a typical and memorable fact, that in his official correspondence and public statements, Morgan was representing himself as actuated by "patriotic considerations" and a desire to serve "the best interests of the Government and the people!" One Wall Street broker, in a public statement, cynically described it as "fascinating and lucrative patriotism." When Morgan was planning to get hold of the new $200,000,000 loan, a banking friend asked whether he could not have some details of the syndicate's plans before subscribing. "Can't give you any particulars," Morgan was quoted as responding. "If you want to make some money and have got the gold, subscribe. If not, au revoir."

NOTHING FOR THE UNEMPLOYED

To realize, however, the full import of the action of the Government in this particular bond sale, by which a present of fully $18,000,000 was made to a few bankers already surfeited with wealth, it is necessary to recall the conditions among the mass of people, especially after the panic of 1893. In normal times, according to the estimate of Carroll D. Wright, for some years United States Labor Commissioner, the number of unemployed at any one time was about 1,000,000 men, women and children. After the panic of 1893 the number reached perhaps 3,000,000. Not a finger was lifted by the Government in the aid of any of these, nor was the remotest consideration given to means for alleviating this misery or to the causes producing it. Repressive measures were used to suppress street meetings of protest, and leaders of labor unions were flung into prison on the alleged charge of contempt of the Federal courts. Only the year before, in 1894, the regular army had been ordered out by Cleveland against the railroad workingmen on strike. Nowhere and in no respect did Government do other than carry out the demands made by the great capitalists who dominated all of its functions.

Chapter XXII

MORGAN THE "PEERLESS CAPTAIN OF INDUSTRY"

WITH the advent of the year 1898 an epochal movement for the consolidation and centralized ownership of transportation systems, industries, public utility plants and mines set in. The trust era was now in irresistible swing. After a warfare of nearly thirty years in the courts and in the active political and industrial arena, the middle groups found themselves completely frustrated.

Eight years previously, in 1890, what was exuberantly heralded as a notable triumph had been secured in New York State. The courts there had declared the Sugar Trust illegal under the common law provision that no corporation, through its stockholders or otherwise, had power to give over its rights, powers and duties to a board of directors.[1]

The middle groups jubilantly declared that no trust could survive so fundamental and sweeping a decision. But a new surprise was in store. Instead of showing any trepidation or preparing for their dissolution, such trusts as were then in existence received the decision with most irritating equanimity, and serenely proceeded to perpetuate their corporate selves by donning a new legal garb. They not only continued to wax great and powerful, but the Sugar Trust, in particular, with the Havemeyers at its head, carried on continuously a colossal system of frauds upon the Government in the fraudulent weighing of imported sugar. These frauds extended over a long series of years, and it was estimated, when the facts became public in 1909, that the amount of which the Government had been thus defrauded reached fully tens of millions of dollars.[2] In addition to these monumental swindles, the Sugar Trust continued so absolutely secure in its monopoly that it was easily able to crush all competitors, dictate tariff schedules, and extort, in the course of trade, an annual profit placed by some authorities at $55,000,000 a year, or a total of $660,000,000 in profits in the period from its organization to 1909.

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[1] The People of the State of New York vs. The North River Sugar Refining Company, 121 N. Y., 582.

[2] After the Government had proved beyond dispute the commission of these great frauds, the American Sugar Refining Company, as heretofore noted, paid more than $2,000,000 to the Government in April, 1909, as restitution for its swindles. But this $2,000,000 covered only a mere part of the long-continuing frauds. None of the beneficiaries of these thefts were punished; the punishment of a few obscure customs weighers and some of the trust's employees was the only action taken. The directors of the Sugar Trust were also indicted in 1909, it is true. The indictment, however, was not for the customs frauds, but for violating the Federal anti-trust act—a meaningless indictment, conviction upon which carries, in practice, a nominal fine only.

Speaking in a large political sense, a last stand was made by the middle groups in the Presidential campaign of 1896. That was its great, although not really final, attempt to defeat the plutocracy, and conquer the powers of government for its own policies. Under the leadership of Bryan the Democratic Party declared itself radical and tremendously and sincerely earnest, but its so-called radicalism was in essence a reactionary futile effort to extinguish the trusts and reëstablish the old confusing competitive conditions in the production and distribution of goods. It was a bitterly-contested campaign in which immense sums of money were corruptly distributed by the money interests of the Republican Party to defeat Bryan.

THE PLUTOCRACY IN FULL POWER

McKinley's election as President of the United States, with a Congress the majority of which was of his views, was a distinct notification that the plutocracy was in full power—a power won in a pitched combat, and therefore interpreted as a popular approval of the rule by great magnates and trusts.

Henceforth, it was well understood, the trusts need fear no governmental antagonism, even of a sham order; for while mock legal actions at no time impaired the basic sway of the trusts, yet they caused constant annoyances and expense.

When McKinley took office magnates of every description knew that the trust movement had full license, confirmed by private bargain, to go on unhindered and unmolested, except, perhaps, with an occasional inroad for spectacular popular effect. Consequently the business of organizing trusts flourished in the open; one trust after another was formed embracing about every known product. The work was carried on with phenomenal celerity and success. The middle groups looked on impotently while factories, railroads, gas and electric plants, street railway lines, telephone systems and mines were converted from a state of individual or mere corporate ownership into the trust form, owned by great single corporations with stupendous amounts of capital, and with dictatorship over vast masses of workingmen.

In this revolutionary work, that of organizing trusts, J. Pierpont Morgan was one of the foremost generalissimos. Indispensable as it is in this work to describe the methods by which he requisitioned his wealth, it is no less necessary to point out the services that he and his kind were doing for progress. In the exclusive consideration of progressive movements, it is immaterial what the motive was; the thing done is all that counts historically. None can deny that these revolutionary capitalists were actuated wholly by ambitiously personal ends: greed, pelf and the lust of power. But after all they were revolutionists without knowing it, and precisely the sort of capitalist revolutionists needed at that particular time.

Strong, ruthless men, bold in cunning and cunning in their boldness, were required for the work of crushing out the old cut-throat, haphazard, individualistic competitive system. Under these conditions Morgan and his colleagues were the men for the task; forceful, dominating, arbitrary men, not scrupling at any means to attain their ends, contemptuous enough of law when it stood in their way, and powerful enough to defy it. Very expert destructionists were they. But they were also constructionists. They tore down to build up. A decayed, archaic industrial system they replaced with one of a far more systematic order, the forerunner of finer systems to come. Progress often works through queer instruments.

In the years closely following 1898 Morgan was especially prominent in many of these trust creations. An ubiquitous magnate he was, pushing his industrial conquests and overlordship in many variegated directions. Each accumulating success added millions of dollars to his fortune. With a choice list to select from, what brilliant display of his financial acumen shall we take up first? Consecutively, the most pertinent is that noted Pennsylvania Coal Company transaction of his.

THE UNFAILING RECIPE FOR MAKING MONEY

The plan which he had begun some years before of gathering in coal mining properties and coal carrying railroads, and of merging them into a combination, he persistently continued. The most important of all of the remaining independent companies in the Pennsylvania anthracite region was the Pennsylvania Coal Company. It controlled some of the most valuable mines in the center of the richest deposits. While paying wretched wages to its workers, it had for years been reaping 16 per cent. dividends on a capital of $5,000,000. Stowed away in its treasury it had, in the form of a surplus, a fund of $10,000,000.

Here was a noble opportunity. Could any alert financier withstand the temptation? As soon as Morgan acquainted himself with the attractive facts, a plan of campaign speedily developed. He sent agents to scour the northeastern region of Pennsylvania, with orders to pay any price demanded for shares of the Pennsylvania Coal Company. Unobtrusively these discreet emissaries went about their mission. For months they traversed Pennsylvania, finally getting enough stock to insure Morgan's control, for which stock an average price of $532 a share was paid.

What did Morgan next do? He sold the property to the Erie Railroad Company for $32,000,000. This payment was in the form of four per cent. collateral trust bonds secured by mortgages on the Pennsylvania Coal Company's property and by the New York, Susquehanna & Western Railroad, a line acquired a short time previously by the Erie. Nor was this all; an issue of $5,000,000 of preferred stock was thrown in. But who controlled the Erie Railroad? The eminent J. Pierpont Morgan. As an individual he bought the coal property, and then, as dictator of the Erie Railroad, decided what he should be paid for it.

"Criticism," observed the Industrial Commission, with the dainty restraint characteristic of all such euphemistic official reports, "has been directed against this operation on the ground that the price paid by the Erie Railroad to J. P. Morgan & Company was excessive. Testimony before the Industrial Commission indicates this was in fact the highest price paid for such properties in the history of the business."[3] What this Commission feebly and so gently dismissed as "criticism" was, in reality, a general growl of indignation at Morgan's ease and audacity in calmly transferring to himself millions of dollars in so-called "profits." It was of this kind of transaction and similar varieties that the Industrial Commission elsewhere relieved itself of this declaration: "The possibilities of fraudulent profit are something enormous under such conditions."[4] For once, in making this clear statement, the Industrial Commission almost overcame its habitual timidity of phraseology, and called things by their true names. Yet what availed it to say that fraud was fraud when the beneficiaries were not even questioned by law? The amount pocketed by Morgan in this performance could not be learned. "To what extent the bankers' profit rose," the Industrial Commission satisfied itself with reporting, "was not developed in the testimony before the Commission."[5] We may well judge that the profit could be estimated in millions.

THWARTED BY A GREATER MAGNATE

While in control of the Erie Railroad, so rich with memories of Jay Gould's frauds and lootings, Morgan unexpectedly, and to his deep mortification, ran plump into his first great defeat. It came about in his attempt to put through a railroad juggling operation. Had it been successful he would have been able to appropriate the bulk of at least $10,000,000 in "profits." The plan was the typically fraudulent one common among the magnates of buying in a railroad and then unloading it (to use the financial slang of the day) upon a trunk railroad system controlled by both buyer and seller.

Morgan had secured a controlling interest in the Cincinnati, Hamilton & Dayton Railroad. This line was composed of a number of former separate railroads and of various leased railroads. On September 20, 1905, the Erie Railroad bought this interest from a syndicate headed by J. P. Morgan & Company. The Erie directors, all registers of Morgan's orders, authorized the issuing of $12,000,000 of four per cent. bonds, convertible into Erie common stock at 60, to pay Morgan for the Cincinnati, Hamilton & Dayton Railroad. Thus far the program had slipped on smoothly.

Suddenly came evidences of the most powerful opposition from quarters commanding obedience. Notice was served that the Erie directors must revoke their action. If they refused, costly reprisals would follow not only in litigation but by the application of a pressure that they could not resist. From whom did this mighty edict come? Who was the awe-inspiring magnate that could frighten Morgan into retreat?

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[3] Final Report of the Industrial Commission, xix:459-460.

[4] Ibid., 326.

[5] Final Report of the Industrial Commission:460.

His identity never came out publicly, but the surmise was rooted in Wall street that he was none other than E. H. Harriman. The belief prevailed that Harriman was seeking to get control of the Erie Railroad himself, and that it was to his interest at that particular juncture to thwart Morgan. The sequel bore out that conviction: the Erie Railroad later passed under Harriman's control.[6] Whatever was the nature of the secret means used to compel Morgan to face about, and whoever it was that used them, they were entirely effective. The Erie directors meekly rescinded their action, and the prospective $10,000,000 in "profits" vanished like a dream.

A TISSUE OF SEQUELS

What became of Morgan's Cincinnati, Hamilton & Dayton Railroad after he was forced to take it back? [7] This system, which he had been on the very point of selling to his Erie Railroad at a price so extravagant as to cause astonishment even among the veteran manipulators, was thrown into bankruptcy in about a month after the attempt had fallen through.

On December 4, 1905, Judson Harmon, one of ex-President Cleveland's intimates, was appointed receiver of the railroad, including its auxiliary lines, the Pere Marquette Railroad and the Toledo Railway and Terminal Company. Years of litigation followed. One aspect of these legal fights was the charge in court that Morgan had used fraud in getting back, into an ownership more absolute than before, this Toledo Railway and Terminal when it was sold in bankruptcy. The lesser stock and bondholders furiously protested against the species of reorganization that virtually deprived them of their holdings and struck their bits of wealth from them. But although they harried Morgan by a series of law-suits, he swept them inexorably out of his way. And with what net result? Under his distinguished plan of reorganization, so styled, the new stock issued was tight-handedly bound up for seven years in a voting trust of which Morgan had dictatorial control. Moreover, his commission for "reorganizing" the railroad in such a manner as to force out the small stockholders and concentrate dominancy largely in himself, was probably several million dollars.

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[6] In a list made public by the Interstate Commerce Commission in January, 1909, of the large railroad stockholders, J. P. Morgan's name did not openly appear as a stockholder of the Erie Railroad. But Walter B. Horn, a clerk in his office, was credited with holding $14,502,600 of its stock, and the firm of J. S. Morgan and Co., of London, about $2,000,000 worth. Harriman secured control of the Erie Railroad in 1909.

[7] "Moody's Manual" for 1908 (page 230) thus skimmed over this affair: "In September, 1905, the Erie Railroad Company acquired a controlling interest in the stock of this company [the C., H. & D. R. R. Co.] and the jurisdiction of the Erie officials was extended to the lines of this company; but in November of the same year Mr. J. P. Morgan relieved the Erie Railroad Company of all its obligations in the matter and the C., H. & D. officials resumed the operation of their lines."

In colloquial parlance, this "freezing out" of small capitalist stockholders was one of the most conspicuous and inevitable accomplishments of the triumphant progress of magnates. We have remarked how the Vanderbilts, Jay Gould, Sage, Huntington and other money kings did it. At every turn of the screw these small parasites—nonentities when compared with the great grandees—would emit a dolorous wail, burst out into lamentations and accusations of fraud, and appeal for sympathy and succor. So long as they could defraud others, and reap wealth out of the sufferings and degradations of employees, all was properly blissful. When they profited from fraud it was "good business," but when fraud was used against them it was denounced as criminally pernicious.

In disposing of them no magnate was more proficient than Morgan. In 1903 the stock of the Chicago Northwestern Railroad was selling at the market price of 29⅝, and a large number of persons of means—merchants, professional people, legatees and others—held shares of that stock as an investment.

The railroad was then put through the usual astringent process of "reorganization." In all of these reorganization devices, reasons were found for levying a heavy assessment upon the stockholders. These levies were for the ascribed purposes of paying the expenses of the "reorganization," legal expenses, advertising, and millions in commission to the reorganizers. The assessments were frequently so onerous that the minor stockholders could not afford to pay them; consequently, by explicit provision, their stock became forfeited. From 29⅝ the stock went down to $1 (July, 1909); and what with declines of price and assessments thousands of individuals were forced to part with their stock. Who got hold of that stock? The question was really superfluous. The stock was put into a "voting trust," with autocratic power for five years, and in command over all stood Morgan.

This stamping out of crowds of relatively small stockholders went on so constantly that it finally became somewhat of a routine matter, so far as public interest was concerned. Only on some exceptional occasion, when it was blended with what were considered dramatic circumstances, did it call forth uncommon notice. But while each of the magnates was busily flinging out these hindrances and expropriating their property, he had to be on ceaseless guard against the incursion of some other magnate or of a combination of magnates. Incessant vigilance was imperative.

The warfare was necessarily a complex one, with its paradoxical aspects. The magnates fought the labor unions, and the labor unions fought back, sometimes aggressively, at other times on the defensive. Toward the middle groups, however, the magnates were forced to use a double objective set of tactics. They had to crush those groups and take their property away, either by direct spoliation on the one hand, or on the other, by inveigling those elements into investing their funds in great stockjobbing enterprises which subsequently turned out to be adroit swindles. In surveying this war the most remarkable phase was the ease with which the great moneyed interests traded on the shortsighted cupidity of the middle groups. With the naive expectation that the magnates would fraternally and benevolently create riches for them, the middle groups poured collective wealth into their schemes, only again and again to find that wealth wrenched from themselves.

Surmounting these forms of the conflict in society was the titanic warfare among the magnates to hold back one another or to seize from the other spoils each had seized from the multitude below. When the interests of these lords of finance and industry clashed, then the thunderbolts flew.

Such a battle notably occurred in 1901. From whatever point of view it was considered, sociologically, philosophically or historically, it was an event full of curious instruction. It symbolized a new order of things; between it and the times when feudal dukes and barons and kings rushed to arms to settle their quarrels of self-interest, lay a long and broadening gap. These modern battles also carried their wake of disaster but it was so indirect as not to be outwardly observable. The weapons were money, reinforced by cunning and fraud; very powerful weapons which none in these days have been able to withstand. Under the old system the feudal lord lost caste if he did not fight in person; success might often mean his own death. But no bodily risk was entailed to confronting money monarchs; they could make wealth fight for them in the stock markets; and if, perchance, it became necessary for them to determine their quarrels with capitalists of other countries by force, they could impress, through their governments, armies, led by men trained by those governments in the art of slaughter, to do their fighting. Happen what would, their hides were safe.

A BATTLE OF MAGNATES

The daily routine budget of news in May, 1901, was suddenly enlivened by the reports that an array of great magnates had rushed headlong into a fractious contention. There was unwonted commotion in high places. James J. Hill, E. H. Harriman, and other superlative eminences were entangled in warfare. Here was rousing news, indeed. What was the meaning of this furor among the exalted? How did it begin and where would it end?

We have hitherto described Harriman's gigantic and audacious plan of fastening his grip upon all of the transcontinental railroads. In 1901 the Northern Pacific Railroad Company, conjointly with the Great Northern Railroad Company, had issued $215,155,100 of securities for the purpose of acquiring the stock of the Chicago, Burlington & Quincy Railroad. J. P. Morgan & Company marketed these securities, and that firm was also a heavy stockholder in the Northern Pacific and a depository for its funds. Harriman knew, of course, that if the Union

Pacific could get a majority of the stock of the Northern Pacific he would consequently obtain control of the Chicago, Burlington & Quincy. "Possession of these lines," later reported the Interstate Commerce Commission, "would have given to the Union Pacific absolute mastery over every avenue leading to the Pacific coast within the United States save that afforded by the Great Northern Railroad on the northern border of the country, and that offered by the Santa Fe upon the southern. This plan, if executed, would have subjected to a common will and policy nearly one-half of the territory of the United States—a comparatively undeveloped, rapidly growing, and extremely rich territory, into which must necessarily extend the population and business of the eastern United States."

James J. Hill, controlling the Great Northern Railroad, a line extending throughout the Northwest and Canada, was alarmed at the approach of so near and so powerful a competitor. Between Harriman and Hill a desperate contest now set in to gain control of the Northern Pacific Railroad in which Hill had a leading interest. Of the history of this line details are given in a later chapter.

A PANIC CAUSED BY THEIR COLLISION

With some of the very richest and most potent men in America scrambling for Northern Pacific stock, its market price shot up to an astonishing figure. Five months previously it had been in a rut at 58: it now rose sometimes as much as twenty-three points a day, reaching $300 a share, and for a part of one day, $1,000 a share. A "corner" surpassing in magnitude any previously known in railroad stock resulted. "The sacrifices necessary to secure funds for covering contracts," reported the Industrial Commission, "precipitated a panic of widespread proportions."[8] Thousands upon thousands of lesser stockholders of other railroad securities were caught in the whirligig and ruined; as fast as the quotations of Northern Pacific stock went on increasing, those of other railroad stocks precipitately declined.

Both of the contending magnates spent huge sums in seeking to overcome the other. The specific amount expended by Hill was not authoritatively revealed, but the sum used by Harriman's Union Pacific Railroad Company became a matter of record. In buying what it believed to be a control of the Northern Pacific Railroad it disbursed $79,459,000.[9] And, it may be parenthetically added, the entire $100,000,000 of Union Pacific convertible bonds, utilized in this and other purchases, were later converted into the same amount of Union Pacific common stock. While the country resounded with the mournful outcries of a scattered host of petty stock speculators, there emerged a plan to harmonize the interests of all of the magnates concerned.

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[8] Final Report of Industrial Commission, xix:317.

[9] Interstate Commerce Commission, 1907, Report No. 943, p. 333.

The disputed territory should be nicely partitioned among them, and affairs would be made tranquilly satisfactory. A "gentlemen's agreement," otherwise phrased "a community of interest," would cement their brotherly relations. Such a covenant would choke out competition, and simplify and enlarge the pleasant work of squeezing more tribute from the people.

Who was to be chosen as arbiter? Whose was the just mind to be entrusted with the selection of the new directors of the Northern Pacific Railroad? Morgan was the man chosen for the adjustment. No vague "gentlemen's agreement" for him however, when something better could be substituted. He conceived the idea of a huge holding company, an incorporated body to hold title to both the Great Northern and the Northern Pacific railroads. The Northern Securities Company was thereupon organized with a capital of $400,000,000.

Upon the announcement of this, the people of the Northwest bestirred themselves in vehement protest. Were they not oppressed enough already? So crushing a monopoly must not be permitted, they declared; it would hold them in absolute thralldom; suit must be brought to void it. The United States Government did bring such a suit and pressed it. The motive for the great energy and ability shown in its prosecution was not clear. The Supreme Court of the United States decided that the Northern Securities Company was an illegal corporation. Harriman had thought that he saw his way to obtaining control by means of stock ownership of the Northern Pacific Railroad and the Chicago, Burlington & Quincy Railroad through dissolution of the Northern Securities Company. He brought a suit—Harriman vs. Northern Securities Company—to effect that purpose. But the Supreme Court of the United States held that as those lines were competitors of the Union Pacific, control of them would be a violation of the Sherman Anti-Trust Act. This decision frustrated Harriman's aim. But the Southern Pacific was left under control of the Union Pacific.

Even while opponents of the trusts were gleefully praising the Supreme Court of the Untied States as "the bulwark of freedom of trade," the trusts caused Congress to enact a law which knocked over the main prop upon which the anti-trust forces had been depending in their war upon the great centralized corporations.

For more than a decade trust organizers had been confronted with a national law decreeing fine or imprisonment or both upon conviction for engaging in any act in restraint of trade. None had gone to prison, nor controlling the deciding functions of government, as they did, was there any prospect of the visitation of such a punishment. But the imprisonment clause was a constant irritant; why have it on the statute books when it could easily be obliterated? And why not also have a specific declaration of immunity? A solitary provision calling for fine in case of conviction, the magnates did not mind at all. It would give an appearance of deferring to public sentiment and, at the same time, could be lightly regarded by those at whom it was directed. When trust magnates were gathering in immense sums from illicit acts, what did a fine of a few thousand dollars matter? It was too trivial to bother over. Besides, even if the fine, by some extraordinary possibility were made heavy, it could be assessed, in turn, upon the consumer.

COMPLETE IMMUNITY FOR THE MAGNATES

That annoying imprisonment clause, however, had to be thrown out of the laws, and it deviously was by an act passed by Congress in 1903. Concurrently, the same act reasserted and amplified the principle of granting immunity to trust officers. No matter how much or how often they violated the anti-trust laws, they were now absolutely secure from any possibility of prison sentence.

The Government might examine them with the greatest pretended inquisitiveness, and in the process draw out the most self-incriminating admissions, but this evidence as testimony could not, by the act of 1903, be used against them in the trial of any criminal proceeding. Not only was the individual exempted; the corporation itself was distinctly relieved from prosecution for any penalty or forfeiture.

The triumph of the trusts was now intrinsically complete.

Chapter XXIII

MORGAN AT HIS ZENITH

By the end of the year 1902 J. Pierpont Morgan, reckoning by appearances, seemed to outrank every other American magnate; scarcely a day passed that the newspapers did not report some new achievement of his, or obsequiously render tribute to his ever-expanding power. In the public appraisement he bulked as a supervitally preponderant man, a figure standing out with an immense and peculiar distinction, eclipsing the most obtrusive political and industrial functionaries.

Contrasted with him, ostensible political rulers were innocuous ephemeral personages. For a time they might vociferously command attention, but their encumbency was dependent upon the will of the magnates, and they were pushed up or pulled down as suited the policy and purposes of the great propertied interests. A long array of "eminent statesmen" had shuffled into solemn view, and for a while had been the cynosure of the nation, and then, like exploded rockets, had disappeared into obscurity, or into a state akin to it. Yet, in another aspect, brief and borrowed as was their power, theirs was not the portion of oblivion; conventional history, which accepts the apparent as the real, documents and often perpetuates their names, ignorant of the fact that they were only the servers or servitors of particular impelling forces and interests.

Behind the nominal political masters stood the real masters—the great magnates.

HISTORICAL OMISSIONS AND MISJUDGMENTS

Seeing that this was so, what vitally boots it whether this or that individual happened to fill the so-called great elective or appointive offices? In stereotyped historical textbooks and narratives the names of J. Pierpont Morgan and his like do not enter; not even a cursory glimpse is given of their deeds. Yet, in large part, these are the significant things that fundamentally made economic history. If history tells the tale aright it will tell how President Theodore Roosevelt begged campaign funds from the very trust magnates whom he pretended to flout; how in a critical moment in the national election of 1904, he so despaired of success that he was forced to appeal to Morgan, Harriman and their fellow magnates for a fresh and immediate infusion of funds.

The irresistible progress of the trust movement and the all-comprehending power of the magnates, can be better estimated when it is recalled that it was during Theodore Roosevelt's administration that the most antagonistic campaign thus far essayed against the trusts was carried on.[1] At least it seemed so if invective and suits at law counted. But, at basis, Theodore Roosevelt, despite his pretenses, was pliable to the purposes of the trust magnates, which fact was connoted anew by the circumstance that he was the President who signed the act striking out the imprisonment clause from the anti-rebating act assuring magnates and corporations full immunity from criminal prosecution.[2]

It was proved again during the great coal strike of 1902 when Roosevelt was forced to beseech J. Pierpont Morgan to consent to some kind of arbitration settlement. True, indeed, Theodore Roosevelt, or those inspired by him, could darkly intimate that it were well for the coal magnates to come to terms; otherwise they might suffer criminal prosecution for violation of the act forbidding railroads from owning coal mines. But the magnates, well realizing how often they had heard this clap-trap sort of talk, and how empty and futile it all was, could pass it over with amused contempt. Then came the sight of the President of the United States, theoretically representing 85,000,000 of people, being compelled to parley and treat with a few magnates on their own terms. "The one man who controlled the operators," wrote A. Maurice Low (who, unquestionably, was one of the best-informed newspaper correspondents at Washington), "was Mr. J. Pierpont Morgan. Everything else having failed, his services had to be enlisted." Morgan instantly showed that he had the power of doing what the President of the United States acknowledged that the highest executive in the country in his own person could not do—a fact moving Low to exclaim reverentially (as quoted heretofore): "Great is Mr. Morgan's power, greater in some respects even than that of Presidents or Kings." Theodore Roosevelt could publicly boast of his having settled that strike, yet, in point of actual fact, Morgan shrewdly used him to bring about a settlement at the time when the magnates decided it was politic, and with a result the most favorable that they could hope for in the particular alarming exigency.[3]

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[1] That is, against the "bad" trusts. How even the outward acts of officialdom were being made to conform to the interests of the ruling class was shown by the growing tendency to accept some trusts as "good," and so arraign others as "bad," although all trusts subsisted in violation of statute law.

[2] "Courage, honesty and the saving grace of common sense, according to Mr. Roosevelt, are the three things that will make men great," . . . wrote A. Maurice Low in "The Independent," issue of October 30, 1902. While thus humbly imploring the magnates for funds with which to finance his campaign, and relieving them by law from imprisonment, Theodore Roosevelt took special occasion in 1907 to prejudice public opinion against Moyer, Haywood and Pettibone, officers of the Western Federation of Miners, when they were in prison awaiting trial. They were later acquitted of the trumped-up charge of murder brought by powerful corporation interests in order to discredit and break up the progressive labor organization of which they were the heads. Certainly, Roosevelt was extremely courageous in attacking the weak, and those from whom he could expect no support or funds.

[3] Low wrote: "Here was the situation in a nutshell, which had been discussed by Mr. Morgan and Mr. Root during the five hours they spent together on the former's yacht on that Saturday when peace or war hung in the balance: To permit the strike to go on meant possibilities that no man wanted even to think of. It might mean the opening of Pandora's box. It might mean arson and riot and bloodshed in

Morgan's lofty, surmounting status at this time did not arise from any misconception that he was the richest man in the United States. That prepotency John D. Rockefeller could easily claim and hold. But Morgan was so unceasingly before the public in some activity or other, and was so preëminently conspicuous in the organization of railroad combinations and industrial trusts, that, considering all aspects, he was looked upon as perhaps the most important of the magnates.

This was a popular deception, and was caused by the difference in tactics between Morgan and the Standard Oil oligarchy. The Rockefellers and their associates systematically discouraged publicity as to their business transactions; in all of their operations they cultivated the profoundest secrecy and took exceeding pains not to acquaint the people with the real extent of their possessions, nor with the methods by which they were gradually drawing into their ownership the resources of not only one nation, but of many nations. Working through auxiliaries or intermediaries they were converting much of the United States with its assets, including human labor, into their private property, but so surreptitiously was this done that they allowed no mention of their conquests to be either formally or informally given out. The Standard Oil headquarters was an inaccessible citadel of silence.

On the other hand, Morgan seemed to glory in the ostentation of publicity. Even if he did not, it was an indispensable requisite. In his threefold capacity of banker, railroad magnate and industrial trust organizer Morgan needed a certain amount of inspired publicity for the specific purposes of his undertakings. As a banker he had to advertise his financing of projects in order to dispose of the stock; the more power he was credited with, the more extraordinary a financier he was extolled, the easier it was to induce a multitude of investors to put their money in enterprises sponsored by him.

RULING 55,000 MILES OF RAILROAD

Between Morgan, the precocious young money zealot of 1861, successfully imposing spurious rifles upon the Union army, and Morgan the incommensurable magnate of 1902, lay a long span of some forty years. For four decades he had incessantly campaigned for great wealth; thousands of Wall street aspirants, ambitious to reach the same goal, had outstrained themselves during that time only to go down in abject failure. Everywhere Morgan could see, as he advanced, the immediate wrecks upon whose misfortunes much of his fortune was built. And what were the cumulative results of his life of money-seeking? Of the properties he owned otherwise, there was no definite authentic record before the Pujo Committee Investigation of 1912, but the extent of his railroad possessions at this period was ascertainable. Moody wrote that in 1902

the coal region. It might mean even worse in New York City. Already the poor were clamoring for fuel, and winter had not even lightly laid its hand on the city. It might mean such a state of affairs that not the entire army could hold it in check."

he was "identified with" 55,000 miles of railroad.[4] "These," Moody explained, "control rights of way, coal lands, terminals, competing lines, steamship connections and the like."

Further attention need not be given to his methods of acquiring railroads. His railroad transactions, large as they were, became somewhat obscured by his still greater trust-forming operations. "Mr. Morgan," Moody further wrote, "is essentially the inspirer, the creator and the dominator of current American industrial forces." A sonorous sentence, but quite exaggerated. Long before that time, John D. Rockefeller had demonstrated the principle of the centralization of industry; Morgan neither exclusively inspired, created nor dominated; he was but one of the leading practicalists in transforming industrial conditions from the competitive to the trust form. "He is unquestionably," went on Moody, "the boldest, the ablest and most far-seeing of any of the modern 'generals of finance' who stand at the head of the modern movement for the consolidation idea in the production and distribution of wealth. This is easily proven by the fact that the enterprises in which his influence is paramount today are the strongest and most ably planned of any of the great combinations or 'trusts.' "[5]

Such eulogies as this had a mechanical ring; they were manufactured almost automatically. That they passed unchallenged is sufficient comment upon the standards of the day, exemplified by the press as an institution for influencing the people. Even the dullest critic could observe how lacking in reservations and elucidations they were. No explanation was vouchsafed of the quality of Morgan's "greatest," nor any reason given why he should be brevetted a "general of finance." The assumption evidently was fixed that these high-sounding, all-inclusive, prejudicative assertions would be swallowed as truth ordained; and, remarkable as it does seem, this has been the brand of truck ladled out for consumption by the American people.

MORGAN'S ORGANIZATION OF THE STEEL TRUST

What was the exceptionally strong and ably-planned Trust to which Moody thus so airily refers? It was the great Steel Trust. Need it be remarked that this was by no means Morgan's only such progeny? In the organization of so many trusts did he participate that the term "Morganization of Industry" ran rampant like an obsession. With these other trusts, however, it is hardly necessary to deal; as a crystalline example of Morgan's methods, the Steel Trust will doubtless suffice.

This trust, let it be proclaimed at the outset, was no paltry affair of a few hundred million dollars. It was an enterprise worthy of the application of a "great general of finance." The pen may stumble in writing it, but somehow we will contrive to get the fact into print that this trust came into being with more than a billion dollars capital. And we feel irresistibly constrained to linger upon that billion dollars. The ordinary human mind is capable of much; it can let its exuberant imagination create heavens and hells, enchantments and exorcisms, and it can stretch illusion to realms without limit; but to conceive of a billion dollars, or rather to visualize it, is a task to be forsworn. Contemplating that billion dollars further, we are driven to note the immense progressions occurring in the case of a "great general of finance." As a downy young man, Morgan was probably content with his profits of thousands in financing the selling of that batch of condemned rifles to the army; but then he was only a mere ambitious fledgling. Yet now, namely, in the year 1901, when he organized the Steel Trust, he had become a full-fledged "general," and no "general of finance" in those days was worthy of the name unless he splashed in projects of the major hundreds of millions, or billions of dollars.

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[4] "The Truth About the Trusts," 107.

[5] Ibid., 106-107.

In this Steel Trust (or United States Steel Corporation, as it chose to call itself) a very large number of important plants were gradually merged; plants in many parts of the United States, iron plants and steel mills and factories of tin products—every kind and quality of wares made from iron and steel were embraced in the production of the plants gathered in under this gigantic corporation. It was pleased to style itself not an owning corporation so much as a "holding company." All of the existing plants in the United States it did not succeed in taking within its fold, but of those remaining outside, many were large mills allied with it, doubtless to give a judicious appearance of competition. Others there were of an "independent" order, mills antagonistic to the trust and actively bent upon competing with it. For reasons to be stated later in this chapter the Steel Trust had no fear of most of these.

Perhaps curiosity may be expressed regarding the prior history of these individual steel and iron and tin plants; how they became huge, and their owners multimillionaires, before the Steel Trust was organized. Were their owners honest men who thriftily saved their pennies, amassed capital, toiled hard, invented their own devices, and were respectable men and legitimate traders?

Not quite. They were accounted respectable enough, but their methods were not a scintilla different from those of the capitalists in all other fields, which is to say that their respectability was as well founded as that of any other capitalist group. Yet this is not the appropriate place to give a detailed account of their careers—how they and their predecessors thrived on inventions many of which they got by chicanery or theft; how they again and again and again bribed Congress for a high protective tariff; how they corrupted elections and ruled cities and partially State and National Governments; how they defrauded the Government before, during and after the Civil War; how the armor mill owners charged their own Government extortionate prices for warship armor plate which, on at least one specific occasion, was found to be worthlessly defective;[6] and oppressed their masses of workers and when those workers struck for better conditions caused them to be shot down, as happened in the Carnegie works at Homestead, Pennsylvania, in 1892.

ROCKEFELLER AND CARNEGIE FALL OUT

Not with a rhythmic placidity did the Steel Trust come into being. An embittered contest, tinged with much personal animus, among certain of the great magnates preceded, and in some degree precipitated, its formation.

Controlling a large part of the iron ore deposits in the Mesaba region in the Northwest, John D. Rockefeller had been aiming to buy out the Carnegie plants for the purpose of organizing a trust. To compel Carnegie to yield, he had recourse to the methods he had so often and successfully used in the oil fields. But he found Carnegie a hornet of an individual. It did Rockefeller no good to mass his interests in the ore fields, in Lake Superior transportation and in railroads against Carnegie interests. Every move was checkmated by Carnegie; Rockefeller was finally compelled to lower his rates on iron ore. Finding that he could not crush out Carnegie as he had crushed small oil producers, Rockefeller changed his tactics. He advanced Henry C. Frick a million dollars as payment to Carnegie for an option to buy the Carnegie plants for $100,000,000. Frick had been a partner of Carnegie, but between the two differences had arisen developing into a festering antagonism.

If Rockefeller assumed that his plan would go through without obstacles, he found himself enlightened before long.

The first hindrance was the unfavorable times. Assuredly, the great monarch of wealth did not intend to pay that $100,000,000 out of his own personal resources. Such a plan, according to approved methods of finance, would be asinine. The gudgeons were to pay for it; the people who could be depended upon to buy stock issues, which stock could be manipulated so that the losses of those investors would be equal, and much more, to the capital required. But, at that juncture, it was reckoned that the anticipated victims were in no mood or shape to exchange cash for engraved paper. A propitious occasion had to be awaited.

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[6] This was in 1894. According to official reports the Carnegie Steel Company was making armor plate at a cost of less than $200 a ton, which plate is sold to the Russian government at $249 a ton while charging the United States Government from $520 to $700 a ton for precisely the same armor plate. After an elaborate investigation, a Congressional Committee reported (see House Report No. 1468, Fifty-third Congress, Second Session):

"The company was hired to make the best possible armor plate, and was paid an enormous price. Resting under these obligations the company or its servants perpetrated manifold frauds, the natural tendency of which was to palm off upon the Government an inferior armor whose inferiority might perchance appear only in the shock of battle and with incalculable damage to the country.

"The efforts of the company, and of its superintendents, Cline, Corey and Schwab, have been to satisfy your committee that the armor is up to the requirements of the contract, notwithstanding the false reports to inspectors, doctoring of specimens, plugging of plates, fraudulent retreating of test-plates and 'jockeying' of the testing-machine. The unblushing character of the frauds to which these men have been parties and the disregard for truth and honesty which they have shown in testifying before your committee render them unworthy of credence."

The delay was costly to Rockefeller. The option held by Frick expired by time limit. And that precious million dollars advanced by Rockefeller—what became of that? Carnegie declared it forfeited, and held on to it. Frick was enraged, and Rockefeller resentful. Henceforth, the animosity between Frick and Carnegie deepened, while Rockefeller contained himself till the day when he would even matters with Carnegie.

Meanwhile, a new factor had burst in to upset all of Frick's and Rockefeller's carefully nursed ambitions. This factor was J. Pierpont Morgan.

The bridge and the tube trusts, owned largely by Morgan,[7] had been planning to manufacture their own billets. As the Carnegie works were flourishing in the billet trade, the news was of momentous importance to Carnegie. He at once prepared to retaliate. But how could he effectively do so? What form of reprisal would be quickest and most telling? Carnegie had grown seared with experience[8] in the machinations of trade; he was not the magnate to be taught how to strike at a competitor's most vital point. The word flew forth that he intended to go into the bridge and tube business. Here was an announcement for Morgan to ponder and scowl over. But another edict (it is no exaggeration to speak of the orders issued by magnates as edicts) followed in rapid order. Carnegie knew, of course, that Morgan was an extensive owner of the Pennsylvania Railroad and its properties. If a railroad were built to compete with the Pennsylvania system, Morgan's interests and fortune would be doubly assaulted. Carnegie allowed the information to get out that he proposed to construct his own railroads from Pittsburg to the Great Lakes, on the west, and, on the east, to the Atlantic Ocean. He went on with the plan as though he were in dead earnest; he rushed surveying parties to map out the route.

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[7] Indications of the methods of the companies in the bridge trust came out in 1910, and caused a considerable public scandal. State Senator Conger, and other witnesses testified before the New York State Senate, sitting as a trial Committee of the Whole, that a corruption fund of $6,000 had been distributed, in 1901, among three influential members of the Assembly, to bring about the defeat of a bill considered disadvantageous to the interests of the bridge trust. J. P. Allds, President pro tem of the Senate, at the time the charges were made, was one of the accused. The Senate found him guilty. The revelations before this committee in February and March, 1910, were of such a character that it was the general opinion that they only faintly indicated the vast and continuous corrupting of legislatures by corporations of all kinds. This belief was borne out by the fact that resolutions introduced in both houses of the Legislature for a comprehensive self-investigation were at first voted down.

[8] "Seared with experience." Inasmuch as a description of his career is not strictly relevant to this part of the work, we cannot halt here to recount the details of transactions, in which, many a time, he had got the better of partners, friends, inventors and competitors.

THE RESULTS OF CARNEGIE'S RETALIATION

The effect upon Morgan was galvanic. Perhaps Carnegie was bluffing in return for bluffs. But the situation was too serious for trifling. Carnegie might carry out his threats; there was the danger. Had Morgan been dealing with the United States Government he would have felt no great concern at threats that he knew he could safely ignore; but in contesting with Carnegie, he was opposed by a magnate of whose power he had reason to be grimly apprehensive. How could Carnegie be placated, or dissuaded, or prevented from carrying out his ominous plans? One heroic way there was—to buy him out, and organize a trust.

Thereupon, it is related, Morgan betook himself post-haste to Carnegie. No time was lost in unessentials. The magnates went straight to the point. Morgan inquired of Carnegie for what sum he would sell his plants. With a clever expression of indifference, Carnegie sententiously replied, "Three hundred millions." A silence ensued; the magnates looked craftily at each other. Whether Morgan was aware that only a short time previously Carnegie had agreed to sell out to Frick for $100,000,000 is not known. On his part, Carnegie believed that he had Morgan in a corner, which conviction was clearly worth a raise of $200,000,000. Perhaps Carnegie, in the style of the excellent business man, asked an exorbitant price so as to compromise on a sum larger than he really expected. Morgan's next words must have surprised him. There was no drawn-out haggling, no comment of any character. "Take it in mortgage?" asked Morgan brusquely. "Provided it covers the whole proposed combination," Carnegie replied. The trade was then and there arranged; the remainder was simply a matter of formalities and ratifications.

Carnegie was pleased with himself. Two great objects he had accomplished; he had obtained an immense purchase price, far beyond his expectations, and he was now able to carry out a yearning that he had long indulged of divesting himself of active business cares, and of playing the exclusive role of the retired and philanthropic captain of industry. Doubtless, he felt quite positive that he had outwitted even the great J. Pierpont Morgan.

But, as time passed, he found good grounds to have doubts of his astuteness.

Subsequently, after Morgan had demonstrated how vast sums could be taken in with facility in jobbery in the stock issues of the Steel Trust, Carnegie began to look back and perceive that he, not Morgan, was the outdone one—not a pleasant feeling for a man who had been self-satisfied that he was as sharp as any of the other magnates. While Carnegie was ostentatiously dispensing millions for public libraries, and preaching the doctrine that it was a disgrace to die rich, he was secretly fuming over the fact that he had not held up Morgan for a hundred million dollars more. This story was current in Wall street:

Many months later Carnegie and Morgan were on the same Atlantic liner bound for recreation in foreign fields. Coming down late to their morning coffee, there was a few minutes for reminiscence between them.

"Do you know, Mr. Morgan," said Carnegie, "I have been thinking it over, and I find I made a mistake. I should have asked you another hundred million for those Carnegie properties."

"If you had, I should have paid it," responded Morgan in his frank, unfeeling truthfulness.

And Carnegie, so the story goes, was so soured in his soul that he could take no more toast and marmalade.[9]

As in the case of the railroads, and of other industrial concerns, the characteristics so typical of altered economic conditions were seen in the passing of the steel industry into the control of Morgan and their fellow magnates.

Carnegie had grown up in the steel business; he knew its details and technique with consummate thoroughness. In addition, he had adopted the plan of making partners, in a measure, of subordinates who had proved their capacity in both the knowledge of the manufacture of steel and in methods calculated to increase profits. Neither Morgan nor his associates had any technical knowledge of how to run a steel plant; left to themselves they could not have managed a factory for a single minute. But, as the capitalist system went, they were not required to have the slightest training in running railroads, factories, steamships or mines. They could annex, or engage, men of experience to do this for them.

How were the great steel plants to be directed, now that the industry had gone out of the hands of owners who personally had known how to do that directing?

The problem was very simple, or rather, it was no problem at all. Morgan followed Carnegie's plan of putting skilled men at the directing head, and of allowing them to share somewhat in the division of stock and profits. Highly significant of the methods of capitalists was their selection of directing managers. We have seen how, when Schwab and Corey were superintendents of the Carnegie plants, a Congressional committee, in 1894, had denounced them individually, in a tame enough report, as being specifically responsible for the armor-plate frauds. Did Carnegie discontinue their services? At that very time Carnegie was thrusting himself forward publicly as a pious benefactor and a lofty citizen. Did he show any indignation at Schwab's and Corey's methods? How could he? Had they not thereby shown what valuable profit producers they were? He prized their services so much that he not only bestowed continuous marks of favor upon them, but he later elevated them to be directors and minor partners.

They were identically the men whom Morgan also wanted; from a capitalist point of view they were highly efficient. When Morgan organized the Steel Trust, to whom did he turn as his selection for executives? To Schwab and Corey; they successively occupied the position of president of the United States Steel Corporation. Indeed, Schwab expanded to be somewhat of a magnate himself, and incontrovertibly proved that he had learned proficiency in genuine magnate methods. Organizing the United States Shipbuilding Company, on his own hook, he and his associates issued false prospectuses, decoyed investors, made a gift to themselves of $55,000,000 in securities, and otherwise committed such fraud upon fraud, that after the company had gone into bankruptcy the receiver denounced the whole transaction as "an artistic swindle." [10]

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[9] "The Wall Street Journal," issue of August 2, 1909.

A TRUST PERFECT IN ALL PARTS

Apart from the recital of these frauds, there can be no gainsaying of the fact that the Steel Trust was the very acme of efficient organization for capitalist purposes. Other trusts might be well organized in the field of production, and partially that of distribution, and yet lack control of the supply of raw material. The Steel Trust controlled all three of these factors. It had its own plants. The railroad and steamship lines of the United States were at its disposal. It owned vast deposits of iron ore and coal, some of which had been turned over to it by Carnegie, and others of which John D. Rockefeller held. The Steel Trust, in fact, was the first trust to establish a scientific control over these three factors, so indispensable to the perfect operation of a trust. By its ownership of great iron deposits, and its practical dictatorship over transportation systems, it at once reduced nearly all of such competitors as it had to nonentities. Only one competitor, the Tennessee Coal and Iron Company, owned its own raw supply; and this competitor was later put out of the way under circumstances which will be described further on.

And here, again, enters the familiar factor of the small frauds being ousted by the great; of the property originally wrested by fraud being taken over by great magnates whose specialty (and it was a very serviceable specialty) was the extermination of lesser frauds. The original seizure of the mineral lands, particularly the iron ore mines in the Northwest, had been accomplished by force and by grossest frauds.[11]

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[10] See report of ex-United States Senator James M. Smith, receiver of the company, to the United States District Court, Newark, N. J. The report was submitted to the court on November 2, 1903. The appended paragraph is only a slight portion of the entire report:

"Who participated in this wholesale plunder? The testimony now being taken . . . will doubtless disclose the names of all the participants; but as such testimony will be submitted to this court for action, your receiver does not deem it proper to comment upon it here. Certain it is that much of this vast amount of stock and bonds was taken by persons and corporations who parted with little or no considerations in exchange therefor. Blocks of the stock went to the vendors of the constituent plants and to the purchasers of bonds, as bonus, absolutely without benefit to the company; $20,000,000 of it admittedly went to Mr. Charles M. Schwab in addition to the agreed price for Bethlehem. Some of it went to the promoters of this artistic swindle; and when all had been provided for, what was left of the bonds, amounting to $1,500,000, was handed back to the company, ostensibly to supply it with 'working capital.'"

$726,846,000 WATERED SECURITIES

Never had there been anything seen like the avalanche of stocks and bonds poured forth in the organization of the United States Steel Corporation in 1901.

The total capitalization was put at $1,402,000,000 more than $1,000,000,000 of which was in stocks. Yet of this total amount thus capitalized, an investigation by the U. S. Bureau of Corporations demonstrated, only $676,000,000 represented concrete cash investment in tangible property. Even accepting claims of greater investment as estimated by the Steel Trust department heads seeking to make the best possible showing, the amount of watered securities could not be computed at less than $610,000,000. Morgan had far outdone all other promoters in capitalizing the future. At his command the engraving agencies had turned out an outpouring of securities which, as official investigation showed, were actually $726,846,000 in excess of visible property value.

He, as a Congressional Committee reported, directed and dominated the whole proceeding, technically called underwriting. He approved the prices at which the stocks of the various constituent companies were taken, named the entire first board of directors, and thereafter allowed no director to be chosen without his approval.[12]

At a hearing before the Way and Means Committee of the House of Representatives in 1908, E. H. Gary, Chairman of the United States Steel Corporation, was questioned as to the total valuation of $1,782,000,000 which the promoters of the United States Steel Corporation had placed upon the properties which had been merged in 1901: "Of this whole sum of $1,782,000,000, was not $1,000,000,000, at least, capitalized profits as distinguished from original investment?" He replied: "I should have to guess at that; but I should guess yes, including increases in value." The report of the U. S. Commissioner of Corporations commented: "While an offhand answer to such an important question should not be given too much weight, the resulting valuation of, say, $782,000,000 for the properties at the time the Steel Corporation was formed is surprisingly in line with the valuation of the Bureau [of Corporations] already given."

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[11] In previous chapters, facts have been brought out showing how the mineral lands were seized. Further facts as to the seizure of mineral lands elsewhere will be found in the chapter on the Hill fortune.

[12] Report of the House Committee (the Pujo Committee) Appointed to Investigate the Concentration and Control of Money and Credit, 1913:64.

$62,500,000 IN INSTANT PROFITS

The profits made by J. P. Morgan & Company, as syndicate managers, and by other members of the syndicate which sold this huge amount of United States Steel Corporation securities were enormous. ". . . It appears," reported the U. S. Commissioner of Corporations, "that the amount actually realized by the syndicate was $90,500,000. After reimbursing the syndicate for the $25,000,000 cash capital raised by it, and also for the $3,000,000 incurred in expenses, the syndicate managers paid in profits to syndicate members substantially $50,000,000. Before distributing these huge profits, however, J. P. Morgan & Company, as syndicate managers, reserved as their compensation 20 per cent of the total profits. The total profits consequently were one-fourth greater than the amount thus distributed to syndicate members, or in other words, they were roughly speaking, $62,500,000." The definite share of J. P. Morgan & Company, as syndicate managers, in the syndicate profits, was about $12,500,000, and this sum did not include profits made by that firm because of its participation as subscribers to the securities. These were sold during the first year after the United States Steel Corporation's organization at average prices of $44 for the common stock and $94 for the preferred stock.

"There can be no question," mildly reported the U. S. Commissioner of Corporations, "that this huge compensation to the syndicate, or in other words, the enormous block of stock upon which this profit was realized, was greatly in excess of a reasonable compensation." Services rendered "certainly were not worth anything like the enormous price which the [U. S. Steel] Corporation paid." Then the report proceeded to demolish a claim made by the syndicate promoters: "Nor can this payment be justified on the ground of extraordinary risk. The Corporation was organized at a time of pronounced buoyancy in the stock market and decided prosperity in the steel industry. It is true that only a short time after its organization the famous Northern Pacific corner and the resulting stock-market panic occurred. Such a contingency, however, is one of the possibilities that all underwriting syndicates have to take account of, and was entitled to no more weight in this case than in the case of numerous other underwriting arrangements which were made by other large corporations in the same period." [13] And it was J. P. Morgan & Company which organized many of those other consolidations referred to here—consolidations signalized by much the same methods.

In nearly all of the publications influencing public opinion the magnates consummating these operations were lauded as great financiers who moved in a sacred sphere of wondrous superiority. This prevalent attitude toward the big freebooters, on the one hand, and, on the other, the petty thief was thus described by Commissioner Garretson of the U. S. Commission on Industrial Relations: "The man who, on account of hunger of himself or family, steals a loaf is held up to public view as a 'horrible example' of the increase of crime and decadence of the moral sense, while he who exploits the public, or by dishonest and fraudulent representation or manipulation secures millions of their money, is by the same agencies held up to the youth of the land as an example of what intelligent effort and devotion to business may accomplish."[14]

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[13] Report of the U. S. Commissioner of Corporations on the Steel Industry, 1911, Part I: 239-247. This report gave the full data, above cited, of the amount of stock watering, syndicate profits, etc.

SELLING STOCK TO EMPLOYEES

The organization of the Steel Trust was notable for a new feature. Before 1902 some corporations here and there had casually adopted the policy of persuading or coercing employees to buy stock shares. The Steel Trust made a systematic campaign of inducing its employees to purchase stock. This furthered the double purpose of disposing of the vast amounts of stock, watered and otherwise, and of gulling the workers into believing that they, individually owners of a share or two, had a proprietary interest in the success of the corporation. The program now was that of making employees "corporation minded."

To inject value into the watered stock, low wages, long working hours, and denial of the right of employees to organize were prime aims of the men controlling corporations. But although the "diffusion of stock," as the method was now called, was expected to influence employees, corporation magnates evidently were not wholly assured that it would prevent labor troubles. Many of the corporations provided themselves with their own armed forces or arranged with "labor adjusters" to break strikes. A member of one of these "labor adjuster" firms which made a business of strike breaking and policing, testified that his firm could put 10,000 armed men into the field inside of seventy-two hours. That many of these men had criminal records did not deter their employment. There was only one recorded instance of a protest by a large corporation executive; L. M. Bowers, Chairman of the Board of Directors of the Colorado Fuel and Iron Company, repeatedly described the strike-breakers in the company's employ as "cut-throats," and told how he had opposed the utilizing of such characters. Various railroads combined the hiring of such "labor adjusters" with the maintenance of their own armed forces having at their disposal large arsenals of arms and ammunition. In several States law granted authority to do this.[15]

Lured on by the glowing prospectuses of the Steel Trust, and certain that the money that they put in would produce large dividends, and the stock would rise in value, great numbers of investors had literally scrambled to pay over their money for the stock. After the process had been exhaustively worked by the manipulators, the price of common stock was gradually beaten down, until, in 1904, it sank to 8¾. Hordes of investors were ruined; the magnates had transferred their money to their own pockets. This kind of operation was repeated several times with great success. When the little fellows parted with their stocks at low prices, the magnates would buy it back, and then by forcing declaration of dividends, and making roseate reports of the steel business, would force up the market quotations, and sell the stock back again, with resulting immense profits. By such methods Morgan and his associated clique took in hundreds of millions of dollars.

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[14] Final Report, U. S. Commission on Industrial Relations, 1916, I:160.

[15] Ibid., I:78, adding the comment: "This armed force, when augmented by recruits from detective agencies and employment agencies, as seems to be the general practice during industrial disputes, constituted a private army clothed with a degree of authority which should be exercised only by public officials . . . "

If it be asked from whom mainly these hundreds of millions in stock-jobbing profits directly came, the answer is simple. From a multitude, not merely in the United States, but the world over. The involuntary donors comprised the foreign aristocracy as well as the American tradesmen, the small manufacturers and the professional class. The British lords, and the European continental moneyed divisions, revealed themselves fully as eager as the native investors to relieve Morgan of his vast encumbrance of paper supply, otherwise called stock. They poured in their money, and he distributed his paper; he was swamped with orders.

Was ever such naive and trusting confidence shown as was displayed by these hosts of investors? Their simple faith in the excellences of the magnates could not be shaken. Repeatedly had they, or other multitudes of individuals in their own classes, been inveigled into Wall street, and dexterously cheated. But these frequent experiences, instead of implanting a wisdom tempered by enduring suspicion, passed over them without leaving a trace. The merchants and petty manufacturers, in particular, who prided themselves on being so adroit, responded every time to the insinuating song of the magnates. And every time they did so they found themselves ravished of their money. No word must be uttered against their methods of exploiting the workers; such protests were dangerous agitation. Let employers, however, be defrauded by the Wall street magnates, and curses were not severe enough.

A HUGE GAMBLING MART

The governors of the New York Stock Exchange and all concerned with that institution had for years and years by constant propaganda spread the idea generally that its activities were largely those of affording opportunities for investment. To those familiar with stock manipulations and riggings by cliques of insiders and the enormous amount of trading done on margin, this aim to give it a harmless character was an audacious absurdity.

At that time and until the passage of the Securities and Exchange

Acts by Congress in 1933 and 1934, buyers of stock through New York Stock Exchange brokers were not required to pay more than 10 per cent of the purchase price of securities. Ninety per cent of stock buying transactions were done on that basis. With such a slender claim on stock bought, it was easy for pools of manipulators, as soon as it suited their purpose, to divest the nominal holders of their stock. The formation of pools by stock exchange firms, often allied with leading bankers, was common. As pool manager a broker experienced in all of the devious arts of the trade would be selected. If he sought to give an appearance of activity to a stock, he gave buying and selling orders in equal volume; if his aim was to put up the price, he gave orders to buy stock in abundance; and when his plan was to depress the price he ordered large quantities of the stock to be sold. Under the rules of the New York Stock Exchange members who engaged in such pools were not punishable for these manipulations. They were merely "censured." Only if they became insolvent by dealings involving larger resources than they possessed, or were able to command, was suspension or expulsion inflicted upon them. Hence pools comprising men of large money means were easily able to pocket their spoils and hold them in immunity.

Apart from many other examples on record, the case of the United States Steel Corporation illustrated the stock juggling in process. Within a period of six years its entire enormous stock issue was, on the average, sold five times over each year, on the New York Stock Exchange, yet the quantity actually sold to investors was shown by the fact that the number of shares transferred on the corporation's books averaged but one-fourth of the number traded in on the stock exchange.

"A CONTINUOUS STREAM OF WEALTH TAKEN"

It remained for a Committee on Speculation in Securities and Commodities, appointed by Governor Hughes of New York State in 1909, to declare officially what every well-informed person had long known. Only a small part of exchange transactions, it reported, were of an investment character; "a substantial part may be characterized as virtually gambling." True, stated the Committee, exchanges for the dealing in stocks and commodities formally forbade gambling "but they make so easy a technical delivery of the property contracted for that the practical effect of such speculation, in point of form legitimate, is not greatly different from that of gambling." And the committee went on to characterize the indiscriminate gambling which was glozed over by the exchanges as "speculation:" "In its nature it is in the same class with gambling upon the race track or at the roulette table, but is practiced on a vastly larger scale. Its ramifications extend to all parts of the country. It involves a practical certainty of loss to those who engage in it. A continuous stream of wealth, taken from the actual capital of innumerable persons of relatively small means, swells the income of brokers and operators dependent upon this class of business. . . . But for a continued influx of new customers, replacing those whose losses force them out of the 'street' [Wall street], this costly mechanism of speculation could not be maintained for anything like its present scale."

Morgan and associated magnates controlled vastly powerful New York banks; these institutions, in turn, held control over hundreds, if not thousands, of smaller banks throughout the country. Securities of the Steel Trust, as well as those of many other trusts, were sold to these banks.

THE GREAT INSURANCE FRAUDS

Hundreds of millions of dollars more were held by the great insurance companies as deposits and surplus from premiums paid in yearly by immense numbers of policy holders. In insurance companies, such as the New York, the Equitable and the Mutual, the working class was little represented; the workingmen could not afford to pay the large premiums demanded. Forced to take out policies, on a weekly installment payment, in the industrial insurance companies, they were swindled to an even greater extent than were the policy holders of the "old-line" companies. Their money, too, was used in providing trusts with adequate enough funds with which to bribe legislatures for franchises and other laws, and to obtain extensive equipment. The Public Service Corporation, which, for example, owns the public utility plants and systems (except the railroads) of the entire State of New Jersey, was financed with the money advanced by one of these large industrial insurance corporations.

Viewing the matter rationally, however, it will be at once seen that whatever the enormous accompanying frauds, the necessities of industrial and social progress demanded two interrelated lines of action. The first was the superseding of the competitive, by the trust, system. Since trusts were the next inevitable stage, the immense funds needed for their organization and elaboration had to come from somewhere. Individually, the magnates lacked sufficient cash. Consequently, they were forced to take it wherever they could find it, irrespective of the nature of the methods used.

In the wielding of the colossal funds of the New York Life Insurance Company, Morgan was a chief among the ruling factors, while also screened behind figureheads, he was active in the affairs of the Equitable Life Assurance Society.[16] Evidences of his power, exercised through indirection, were repeatedly brought out in the remarkable, although fundamentally futile investigation, made by a New York legislative committee in 1905. The insurance companies had a satiety of cash; Morgan, Harriman and other magnates had the bond issues. Inasmuch as obviously those bonds were not issued for æsthetic exhibitions, the important and immediate consideration was to convert them into revenue. By collusion with the officials of the insurance companies, huge quantities of bonds were sold to the insurance companies.[17]

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[16] Morgan's hold in the New York Life Insurance Company came through George W. Perkins, the vice-president of that company. Finally, in 1902, Perkins became a member of the firm of J. P. Morgan & Company, continuing, at the same time, as an officer of the New York Life Insurance Company. Perkins's methods may be judged by the following incidental fact: He took out policies for $60,000 on his life. and received agents' commissions on his own insurance. Report of the [New York] Legislative Insurance Committee, 1906, x:85.

QUARRELING OVER THE SPOILS

For a long time this looting of the insurance companies went on unhindered, and without attracting public notice. The causes of this immunity from official action and exposure were not revealed until 1905. In that year the accustomed capitalistic development came about. A quarrel, at first mere private mutterings, then growing into an obstreperous conflict, set in among groups of magnates. And what was the provocation? Was it one of personal hostility? Not at all. The cause arose from dissensions as to the division of the spoils in the Equitable Life Assurance Society. Magnate arrayed himself against magnate, and group opposed group. The clearer it became that the fight for control of the stupendous revenues could not be compromised, the more malignant the magnates became. The stage was soon reached when ugly charges of fraud, graft and corruption were allowed to get into the public press. Here was a spectacle for the gods. Not from any "labor agitator," nor from any "irresponsible newspaper" did these charges come; nay, they came from some of the lordliest magnates in the land, from men of the most "unimpeachable respectability." Now, here they were vulgarly accusing one another of being liars, frauds and all-round knaves.

That the matter made a loud sensation can well be understood; newspaper writers diligently applied themselves to reporting the great event. Quarrels among magnates were not uncommon, but when a whole array of the nation's oligarchy of wealth pushed their row into the open, and began bedamning one another, it was a rare opportunity for truths to come out. None but the magnates themselves could open the doors of their holy of holies and reveal the mysteries within. Praise be to the glorious occasion; they were now doing this very thing.

But when the holy of holies was subjected to scrutiny, it was found to be a cesspool from which long pent-up noxious exhalations burst forth, almost threatening to suffocate a nation that had been taught to reverence the aforesaid holy places. The quarrel became so fierce that a swelling popular demand sprang up for a legislative committee to do some exhaustive and salubrious probing. The demand, at least, had every appearance of being a spontaneous popular one; but it can be reasonably surmised that after trying every other means of ousting the group of magnates in power, the opposition party cleverly instigated the popular indignation in order to compel an investigation, and discredit the clique in control. Subsequent developments proved that Harriman had long been attempting to gain exclusive control of the massed funds of the Equitable Life Assurance Society. In addition, his own testimony attested the fact that Governor Odell of New York was his creature, and that the very Legislature which ordered the investigation was obedient to his orders.

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[17] The Equitable, for instance, owned $162,364,034 of railroad and traction company bonds, the Mutual about the same amount in railroad and miscellaneous bonds, and the New York a similarly large amount.

From the first sessions of that investigating committee to the last, the story unrolled was one of such appalling fraud and corruption that the very enormity of it finally deprived it of effect. One after another, the magnates were haled forth to the light; and when they retired they, the "great captains of industry," the supremely respectable products of society, the fine moralists of the nation, the supporters and endowers of charities and churches, the rulers of politics, were revealed as perjurers, bribers and despoilers. If magnates desire to keep up the myth of "sterling honesty," benevolence and patriotism, they must learn not to quarrel among themselves. Otherwise, they will tell on one another, which is not politic.

THE EXTENSIVE RAMIFICATIONS OF CORRUPTION

So long as the people had the delusion, and the capitalists the legislative votes, what good boded it to the magnates to have the secret come out? Over and over again was that secret disclosed in past investigations, but without instructive results. Yet, behold the people once more had the opportunity of getting an insight into what went on behind the scenes when the Legislative Investigating Committee reported in 1906:

> The testimony taken by the committee makes it clear that the large insurance companies systematically attempted (sic) to control legislation in this [New York] and other States which could affect their interests directly or indirectly. The three companies divided the country, outside of New York and a few other States, so as to avoid a waste of effort, each looking after its chosen district and bearing its appropriate part of the total expenses.[18]

Excellent! even bribery, like industry, became systematized and modernized. In the process, delicate externals were preserved. To ledger bribery funds as corruption money was a gross shock to fastidious taste, and was inexcusably unbusinesslike. Hence, so the committee reported, bribery expenditures were classified as "legal expenses." The committee described them as extraordinarily large. The Mutual, in 1904, disbursed $364,254.95; the Equitable, $172,698.42, and the New York, with Morgan's partner, Perkins, practically in command, $204,019.25.[19] This, according to the simple rules of arithmetic, made a total of more than three-quarters of a million dollars spent in one year in the corrupting of legislatures, administrative officials and certain newspaper writers.[20] These "legal expenses," the committee redundantly wrote, were "far in excess of the amounts required for legitimate purposes." [21]

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[18] Report of the [New York] Legislative Insurance Committee, 1906, x:23.
[19] Ibid., 16.

For what were these corruption funds employed? To get laws under which great frauds could be carried on, and to prevent the passage of laws interfering with the graft. And who were the immediate distributors of the funds? Trained, circumspect lobbyists, thoroughly experienced in the business of knowing who, when and where to bribe. They were never stinted for money. Andrew C. Fields, long engaged by the Mutual Life Insurance Company to manipulate legislation at Albany, held forth in a sumptuously furnished house there. This headquarters was jocosely styled the "House of Mirth!" The rent and other expenses were charged to "legal expenses." The Mutual thus expended more than $2,000,000 in "legal expenses" from 1898 to 1904.[22] And what were those of the New York Life Insurance Company? From 1895 to 1904, the total payments to Andrew Hamilton, its principal lobbyist, amounted to $1,312,197.16, all of which sum was soberly entered as "legal expenses." [23] J. P. Morgan & Company made advances of money to Hamilton.[24]

But the corruption neither began nor ended with the buying of legislative votes or of administrative connivance. Over and above the politicians in office were the bosses in control of the machinery of both the Republican and the Democratic parties. Those party machines could command the votes; and the orders of the men at the head called for submission by the underling politicians. Refusal brought discipline and retirement. By controlling the secret workings of the party organizations, the magnates virtually controlled the platforms of those parties, their nominees, and the general course of the men elected to office.

For one more proof of this, another dip into the report of that celebrated insurance investigating committee of 1905 will suffice. "The insurance companies," it reported, "regularly contributed large sums to the campaign funds of both the Republican and the Democratic parties." This was no exceptional act, however; it was the conventional order of the day; all of the great corporations did likewise. Had not Jay Gould, thirty-odd years before, explained the method? And had not other capitalists long antecedent to Jay Gould shown how efficacious it was? A present of nearly $50,000 was contributed in 1894 by the New York Life Insurance Company to the campaign fund of the Republican National Committee,[25] and similar amounts in 1896 and in 1900 for the same purpose.[26] All of the large insurance companies gave contributions, not only for national political campaigns, but also for those in the States.[27] It was found impossible to trace all of the directions of this continuous corruption. "Enormous sums," the committee stated, "have been expended in a surreptitious manner."

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[20] The testimony showed that many newspaper writers had received large sums for the suppression of articles revealing the methods of these companies.

[21] Report of the [New York] Legislative Insurance Committee, 1906, x:16.

[22] Ibid., 16.

[23] Ibid., 50.

[24] Ibid., 49. For instance, J. P. Morgan and Company, in October, 1902, advanced $59,310.79 to Hamilton. This sum was deducted from the profits of the New York Life Insurance Company. Hamilton was not required to make any accounting.

[25] Report of the [New York] Legislative Insurance Committee, 1906, x:62.

The immense sums thus spent in political corruption were taken from the proceeds of the policy holders. With this money, mounting into millions of dollars, the magnates bought their way into every State legislature in the Union; they purchased a way for themselves or for their allies into the United States Senate; and they carried their demands in both the Republican and the Democratic parties. An arraignment more destructive to the existing arrangement of society could not be found than was contained in the facts (and they were by no means, all of the facts) reported by that committee. The substantial conclusion was, although not set forth in so many plain words, that the administrative officials, the legislatures, Congress, the courts and the old political parties were controlled and dominated by groups of unparalleled frauds and pirates. For the sums diverted to insure this political control were only a tithe of the aggregate stupendous thefts. Following close upon the investigation came suits against the "high financiers" for the restitution of more than $10,000,000, and these suits were but indications of still vaster sums fraudulently taken. The suits were compromised.

DARK DAYS FOR RESPECTABILITY

It was a period of travail for respectability; much explaining had to be done, which (in such a case) was always a confession. The directors or swayers of those insurance companies comprised some of the most super-eminent magnates and exalted philanthropists in the United States. Elegant society suffered no shock at the revelations, for it was built and sustained, every part and woof of it, by theft, fraud, bribery and exploitation.

But the apologists and retainers, whose vocation it was to strew praise in the path of the money monarchs, were egregiously put out of face. What could they say when such of their heroes as Jacob H. Schiff,[28]

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[26] Ibid.

[27] Ibid., 398. The Equitable, for example, gave $50,000 in 1904, to the Republican National Committee, and had also, for many years, been giving $30,000 annually to the New York State Republican Committee. (p. 10.)

[28] The Equitable Life Assurance Society "loaned immense sums" to Kuhn, Loeb and Company, of which Schiff was a leading member. (Ibid., 118.) These funds, in large part, were turned over to Harriman for use in his railroad gathering and centralizing projects. Schiff died in 1920, and the schedule of his estate, prepared in 1922 for submission to the New York State Tax Commission, fixed the value of his property taxable in New York, at $35,257,008. This schedule did not, of course, include his property in any other State, or in foreign countries. Ten years before his death Schiff had set aside for his wife a trust fund of securities valued at $6,053,045 from which she was to have the income for life. At the time of his death, Schiff did

Henry C. Frick, D. O. Mills, and many others were being shown up either as participants or as responsible heads? More galling still was the besmearing of their great idols, E. H. Harriman, and above all, the devout and philanthropic J. Pierpont Morgan.[29] All of these money conquerors had been interminably glorified; nothing had been too extravagant to say of them; and now they could be seen twisting and squirming in the uncomfortable act "of being caught."

Good repute may be, as the poets and philosophers say, a priceless possession. But these magnates did not mind the temporary hurt. For temporary it surely was; a little time would pass, and then the newspapers, magazines, college presidents and clergy, largely owned or subsidized by the magnates, would resume their interrupted chorus of praise, and all would be well again. A bit of the plunder thrown out to universities and churches would add to the magical effect.

Hence, it was not any loss of reputation that the magnates and their satraps feared. The one and only disquieting prospect was that of being shunted away to prisons. Throughout the United States the insurance disclosures—the outcropping facts as to the vast, long-continuing corruptions and frauds—had called forth a frenzied demand at first that the guilty be rushed to trial and imprisoned.

But that demand, if carried out, would have entailed a unique and unprecedented situation. Should all of the guilty be jailed, or even a number of them, the nation would have been deprived of many of its foremost magnates, its greatest philanthropists, its most exemplary patriots. How could society have survived such a loss? According to orthodox teachings, these men were imperative to the proper administration, and the well being, of the whole social and industrial system. Incarcerate the great magnates, philanthropists and patriots, even though they were also the greatest plunderers? The thought was impossible.

No fear of prison, however, need have been entertained by the implicated. Had not many an investigation been held before, decade after decade, almost year after year, sometimes several investigations in a single year? Had any of the rich culprits disclosed in those investigations ever gone to prison? What ground was there for supposing that this investigation would result any differently? In a society ruled by money, what were courts for but to be used as a minatory instrument for

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not own any great blocks of stocks; the most valuable shares were those of financial institutions. The largest item of his possessions was $6,395,970 in Liberty Bonds. During life he had given considerable sums to charitable institutions, and in his will bequeathed more.

[29] The extent of Morgan's utilization of insurance money was shown by the legislative investigating committee. "The evidence is," it reported, "that while Mr. Perkins has been a member of J. P. Morgan & Company, the New York Life has purchased from it securities of the par value of $39,286,075 for the price of $38,804,981.51. (Report of the [New York] Legislative Insurance Committee, 1906:81). Superficially, the report suggested that the New York Life Insurance Company thus obtained "a bargain" in the purchase of these securities. In reality, much of these were watered.

enforcing the law, made by the rich, against the propertyless? What were judges for except to construe that law as the magnates who put them on the bench demanded that it be construed? [30]

Not the law so much as the interpretation is what essentially counted.

THE MAGNATES ESCAPE THE LAW

How the law was interpreted was soon seen. Under the pressure of public opinion, District Attorney Jerome of New York County finally caused the Grand Jury to take action in proceeding against a few of the satraps and the figureheads. But, in the case of Perkins, for instance, it was decided that if he had committed grand larceny, it had been done without *criminal intent*. The thousands of poor offenders hurried off to prison were obviously afflicted with an overabundance of this same *criminal intent*. Yet for a rich and powerful man to commit any fraud with *criminal intent* was a principle unknown to practical jurisprudence. The farce dragged out a while; not one of the participants of great wealth was even incommoded by the formality of a trial.[31]

And what was the outcome of that extraordinary investigation? Again was seen the operation of that principle so often brought out in these chapters; that every "reform wave" of a capitalist order of society is used by the great capitalists to aggrandize their wealth and power. Taking advantage of the popular discredit of the large insurance companies, and making fine assertions of the reforms that he intended to bring about, Thomas F. Ryan secured control of the Equitable Life Assurance Society, completely frustrating Harriman's efforts to the same end. Ryan's career, and the facts as to how he obtained his immense wealth, were so generally known, that his appearance in the role of a "reformer" was the signal for an instantaneous outburst of public sarcasm and denunciation which Ryan did not at all mind, seeing that he had carried his assault.[32]

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[30] It is quite needless to reiterate here facts (already brought out) regarding the methods by which appointments and elections to the bench were made by the great property interests. In my "History of the Supreme Court of the United States," I have given the evidence in voluminous detail.

[31] The facts thus generalized were so notorious that it is hardly necessary to specify at length. Although he was much denounced, Jerome did not deviate from the uniform practice (as noted so often throughout this work) of enforcing the laws vigorously against the poor, while allowing the rich frauds and thieves to go scotfree. At one time, a "popular hero," Jerome went out of office thoroughly discredited in public opinion.

[32] One of the denunciations of Ryan was that made by Senator LaFollette, in the United States Senate, on March 17, 1907. He recounted Ryan's methods:

"The Metropolitan Interborough Traction Company cleaned up, at the lowest estimate, $100,000,000 by methods which should have committed many of the participants to the penitentiary. The public and the stockholders were robbed alike. That dividends were paid with borrowed money purely to stock job the public is now known to a certainty. Stock was thus ballooned to $296 per share, which goes begging now at $35. The insiders robbed the company on construction of upwards of $40,000,000. Investigation has disclosed that $1,000,000 was spent as a 'yellow-dog

Enough, however, of the methods by which these vast insurance funds were manipulated for politico-financial ends. The sensation caused by the revelations was as profound as the reaction that followed. For a brief period the masses were privileged to have a look behind the scenes, get wrought up at what they saw, and then the curtains were drawn again and the old comedy was resumed. The intense popular excitement flattened out into the sheerest lassitude.

What noteworthy changes resulted from all that protracted boring, ten solid volumes of it? None. Some lawyer folk grasped political advancement out of it, others enriched themselves from a trail of litigation, a few minor laws were passed, and one set of capitalists was deposed to make place for another. And that was the finis of this great investigation which was to have brought such "beneficial reforms."

MORGAN IN CONTROL

For, in 1910, the stock in the Equitable Life Assurance Society owned by Ryan and the Harriman estate was bought by Morgan and two associates. One of these was George F. Baker, head of the mighty First National Bank of New York. For decades Baker had been a close financial associate of Morgan. The other associate was James A. Stillman, head of the equally powerful National City Bank of New York in which J. P. Morgan & Company had acquired $1,500,000 of stock. In a sub-

fund' for corrupting public officials. In 1886 Thomas F. Ryan was a poor man. In 1905 Henry D. McDonough, his official representative, estimated Ryan's fortune at fifty millions. The foundation of all his wealth and power was the Metropolitan Street Railway." "Centralization and Community Control of Industry," etc. (Government Doc.), 24. As we have pointed out in a previous chapter, Ryan's fortune—at least the known part—was or became much greater than the amounts then stated by Senator LaFollette. In 1925 Ryan paid a Federal income tax of $791,851. As in the case of so many other magnates, the terrific denunciation of Ryan became transformed in due time into glowing eulogies. At Ryan's death in 1928, the New York World which, twenty years before had published one after another exposé of his financial acts, described him as "one of the last of the financial Titans of the 90's." And the New York Times which, as a matter of news had published the same disclosures, now in a biography of Ryan recited that "his genius for organization made him one of the richest men," and that his career "is as good an example as any in American history of the possibilities that this country offers to a poor uneducated boy." Further: "Heads of finance and industry say that the community has suffered an irreparable loss." And many more were the eulogies like these.

Evidently displeased with his eldest son Allan, Ryan in his will left nothing more to Allan than two pearl shirt studs. This displeasure, it was reported, arose from Allan's disapproval of his father's remarriage soon after the death of his first wife. The rift, it was further reported, had widened when a corner that the son had engineered in Stutz Motors stock, in 1920, had collapsed, causing bankruptcy in 1922, and losses put at $32,400,000. The bulk of Thomas F. Ryan's fortune was distributed among other members of his family. He explained in his will that he had made no further contribution to charity "for the reason that in my lifetime I have contributed largely to religious, charitable and educational causes." Each of Allan's two brothers later made an agreement, it was announced in 1934, to pay him $50,000 a year for life.

sequent investigation this question was put to Morgan: "You may explain, if you care to, why you bought from Messrs. Ryan and Harriman $51,000 par value of stock that paid only $3,710 a year, for approximately $3,000,000, that could yield you only one-eighth or one-ninth of one per cent?" Morgan replied that he bought because he thought it desirable. In reply to other interrogations as to why he thought it so when on other securities the normal rate of interest was 4 or 5 per cent he gave general or evasive replies. "No sufficient reason," reported the investigating committee, "has been given for this transaction, nor does any suggest itself, unless it was the desire of these gentlemen to control the investment of the $504,000,000 assets of this company, or the disposition of the bank and trust company stocks which it held and was compelled by law to sell within a stated time." [33]

One of the most remarkable, and at the same time most generally fruitless, features of American political life in the nineteenth century and later was the frequency of these official investigations. Survey the archives and you will be bewildered by their number and continuity, extant in the form of printed testimony and reports.

These were not investigations made by a hostile officialdom, but by governing authorities, either representing the very capitalistic interests investigated, or favorable to the existing order. The numerous investigations could, therefore, be accepted as those of capitalist society disclosing itself. Every one of them revealed the same story of fraud, corruption and theft, from which not a single line of business was exempt. The stupendous extent of the incessant and deliberate lying carried on by capitalist expositors could at once be seen by comparing their fulsome accounts of capitalists and of the capitalistic system with the facts perpetuated in the reports.

But what of those virtuous speculative investors who, when tricked and defrauded by the magnates, plaintively put themselves on exhibition as outraged and helpless victims of a crew of unscrupulous financiers? How, for example, did many investors in Steel Trust stock regard the great Morgan after their disillusioning and spoliation? They broke out in passionate imprecations. Throughout the country you met them everywhere bewailing their losses; some of their thousands, others of their tens of thousands, and still others of their hundreds of thousands of dollars. In many another Wall street onslaught, the losers could not specifically blame Morgan; but in the Steel Trust stock-rigging he was so palpably the principal moving spirit, that necessarily this bitterness was directed at him. To the point of nausea the charge was repeated that fraud had brought about the stripping or ruin of those innocent, confiding investors; fraud did it all, fraud explained the whole process.

Delicious innocence! Not an individual was there among those self-commiserating investors who would not have been elated to have profited in the stock market at the expense of other investors. Had such been the outcome, the transaction would have been highly legitimate and just. The crime consisted in the magnates exclusively pocketing the booty. This at once transformed the operation into one of betrayal, injustice, fraud and oppression. Then came that old familiarly dolorous plaint of grievances. And would the terrors of law never descend upon the supersubtle corporate greed that was swindling and devouring the virtuous middle class, "the backbone of the country"?

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[33] Report of House Committee on Concentration of Control of Money and Credit, 1913:83.

THE SOURCE OF PROFITS

Agitated over their own misfortunes and expropriation, these investors excoriated Morgan and the other magnates. And their actuating reason was what? That of not being allowed to have a hand in the profits. Who has not heard pigs squeal when a hog usurps the trough! And what, further, were the basic conditions from which these investors eagerly strained for profits, either in stock gambling or in dividends?

The value of the stock depended at bottom upon the trade profits of the business. Those profits came from the labor in the mills and the exploitation of the manufactured product. Were the petty investors, so clamorous for their own security and comfort, uneasy at the conditions under which masses of men and boys worked in the iron and coal mines and in the steel manufacturing plants? Did they experience any qualms at the long hours and low pay, and the squalid, often revolting, life to which those workers were forced? Did the bestial degradation and frightful destitution so often encountered in steel-mill quarters disturb their thoughts? Or were they impressed by the ghastly casualties in the mills, or the diseases rife in the workingmen's quarters, causing an undiminished slaughter of men, women and children? Did the investors, whose understanding of injustice was so sensitively acute when they were robbed or in distress, see any injustice in such conditions?

In this exploitation they saw nothing but a "righteous" system of industry from which they eagerly sought profit. They were not ignorant of the existence of these conditions; it was with a knowledge, not always full, but some realization, nevertheless, of them, that they sophisticatedly bought Steel Trust stock to share in the profits. When an exposure was made, in 1908, of some of these conditions, not more than a handful of stockholders protested against the horrors; exceptions to which we gladly draw attention.

To describe those conditions at length would be an inappropriate anticipation of another part of this work to which the description is more germane. Some glimpses, however, will be to the point. Nor will the facts be drawn from working-class spokesmen and writers. Do not the conventions of the day condemn these as unworthy of credence and citation? Observe with what immense respect legislatures, Congress, the courts, editors and literary reviewers treat the trashiest utterances of capitalists, and swear by their value and authenticity. But working-class memorials, protests and statements are obviously the productions of "rabid agitators"; they "chronically exaggerate" and are "partial and partisan." Since capitalists (and their retinue of scribes) alone possess the high virtue of complete veracity, citations from such sources will perhaps carry weight.

What is this extraordinary document we hold in our hand? It is a report entitled "The Pittsburg Survey," the same being an exhaustive investigation of the conditions of the working class of Pittsburg. Scrutinizing further, we find that this investigation was carried on by means of funds contributed by "The Russell Sage Endowment." That fact enhances its prestige for citation purposes. What is this further fact we note on the bottom of the cover? That the report has been published in a magazine conducted by the Charity Organization Society of New York City, under which title appears—what? The name of J. Pierpont Morgan, as treasurer of that society. Now we are invulnerably on safe footing. To a report issued under such exalted auspices, who would be so reckless as to impute inaccuracy or partiality?

THE CONDITION OF THE STEEL WORKERS

Of the conditions noted in Pittsburgh, an extract from the voluminous report gave this description:

> . . . It is a common opinion in the district that some employers of labor give the Slavs and Italians preference because of their docility, their habit of silent submission, their amenability to discipline, and their willingness to work long hours and overtime without a murmur. Foreigners as a rule earn the lowest wages and work the full stint of hours. I found them in the machine shops working sixty hours a week; at the blast furnaces working twelve hours a day for seven days in the week. The common laborer in and around the mills works seventy-two hours a week. The unit of wages is an hour rate for day labor and a Slav is willing to take the longer hours (twelve hours a day for men who work fourteen and sixteen in the fatherland) with extra work on Sundays, especially in connection with clearing the yards and repairing. Possibly sixty to seventy per cent. of the laborers in the mills come out Sundays and the mechanics and other laborers on occasions work thirty-six hours in order that the plant may start on time. In one mill I found Russians (Greek Orthodox) in favor for the reason that they gladly worked on Sundays.
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> Many work in intense heat, the din of machinery and the noise of escaping steam. The congested condition of most of the plants in Pittsburg adds to the physical discomforts for an out-of-doors people; while their ignorance of the language and of modern machinery increases the risk. How many of the Slavs, Lithuanians and Italians are injured in Pittsburg in one year is not known. No reliable statistics are compiled. In their absence people guess, and the mischief wrought by contradictory and biased statements is met on all hands. When I mentioned a plant that had a bad reputation to a priest, he said, "Oh, that is the slaughter-house; they kill them there every day." I quote him not for his accuracy, but to show how the rumors circulate and

are real to the people themselves. It is undoubtedly true, that, exaggerated though the reports may be, the waste in life and limb is great, and if it all fell upon the native born a cry would long since have gone up which would have stayed the slaughter.[34]

These were but the most cursory views of a few of the prevailing conditions. Almost all of the bond and stock holders, large and small, great magnates and little parasites, not merely acquiesced in these conditions, but insisted upon their continuance, upon the principle (so often referred to in the course of this work) that the lower the wages and longer the hours of work, the seductively greater the dividend prospects. Splendid mansions, as capacious and ornamental as palaces, arose upon the tense labor, the suffering and the mortality of those masses of workers. Carnegie pompously spreading his philanthropy, drew his income from the very life blood of those workers and their families and children,[35] and Morgan, piously dispensing charity, officiating at religious meetings, and posing as the incarnation of princely benevolence, allowed no such impractical considerations as pity or sentiment to make life even a moiety more tolerable in the roaring hells from which were then derived an average of $145,000,000 net profits a year.

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[34] "The Pittsburg Survey," i:537 and 539. The Carnegie Steel Company had long before this begun the systematic hiring of immigrant workers. The average pay of these workers was $1.60 a day.

[35] "One-third of all who die in Pittsburg, die without having anything to say about it. That is, they die under five years of age. One-fourth of all who die, die without having anything to say about anything. That is, they die under one year of age. Most of these deaths are preventable, being the outcome of conditions which, humanly speaking, have no right to exist." This slaughter is greatly caused by impure milk and bad housing conditions.—"The Pittsburg Survey," ii:943.

Chapter XXIV

MORGAN AS "THE SAVIOR OF THE NATION"

ALL previous panegyrics lavished upon Morgan became stale and inadequate compared to the apotheosis of him during the panic of 1907. What climax of earthly splendor did Morgan reach? He became the "Savior of the Nation."

Around their genesis, methods and characters, the magnates wove romantic yarns. They supplied the inspiration; a host of writers and orators, trained to transfer that romancing into catchwords and phrases, carried it to the people and popularized it until it became an almost adamantine tradition. Always it was the same species of romance; the toil, the thrift, the integrity, the wonderful ability by which the magnates reaped their fortunes; their heroism in time of war, their saving philanthropy in all great crises.

The audacity of these "literary" puffers was as great as the imposture of the magnates whom they covered with adulation. In the very commission of vast frauds and avaricious transactions, the magnates posed as public-spirited, patriotic men. Their puffers hastened to paint them likewise. There was no judicious waiting until time had receded, and the actual facts were more or less forgotten. The very enormities of the magnates were at once transformed into acts of the greatest purity, and the people were called upon to applaud. In every conceivable manner the press, or at least a considerable section of it, was manipulated to counteract the effect of disclosures.

A CHARACTERISTIC EULOGY OF MORGAN

Shortly after the panic of 1907 had set in, an article (and it was one of many such productions) entitled "Morgan the Magnificent" was published in a "popular magazine." [1] We have already mentioned this article but it pertinently calls for particular citation here. Its bombastic style, if nothing else, must provoke a wondering interest, yet it was strictly in accord with the quality of most of the matter published in books and magazines. This trash was called "popular" not because the people wanted it, but because to a great extent many publishers considered it "safe." It did not antagonize the vested interests of wealth. The article began with this lurid introduction:

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[1] "Pearson's Magazine," issue of February, 1908.

There were scenes in the saving of Wall street by John Pierpont Morgan that never can be written; things said and done that cannot and should not even be remembered, even in those days of excitement, horror and confusion; heroism, crimes, blunders, treacheries and martyrdoms that spanned the whole capacity of man for glory or shame; for, until the continent came, half-crying, half-cursing out of the trembling madness that threatened to bring down the banking system of the country into ruins, smash the credit of the nation and smirch its name, men were in a nameless bewilderment of fear beyond words to express, as in the presence of some impending and irresistible convulsion of nature the boldest and keenest become craven and stupid.

Plain Mr. Morgan, fresh from the dronings of a great Episcopal church convention at Richmond, was suddenly aroused by the peril of the financial situation to a demonstration of courage, strength and personal masterfulness that brought order and confidence out of chaos and despair.

And there is a little history to compare to the sight of this stout, secretive American banker of seventy years withdrawing from the passionless company of bishops and ministers intent on religious ideals, to take command of the fierce, clashing money forces of Wall street, gone crazy out of sheer fright—to become the protagonist and hero of the most cynical, suspicious, treacherous, cruel, arrogant and cowardly human elements in the world.

It might well be imagined that Morgan, the "connoisseur of art," the "lover of literature," the great *arbiter elegantiarum*, would have sent for the author of this perpetration and caused him to be bastinadoed on the spot. Evidently—in the absence of proof to the contrary—Morgan was pleased with the confection. It would not be worth notice here were it not for the fact that the point of it—that Morgan was the "Savior of the Nation"—was gravely and repeatedly pressed forward by many other writers and publications.

In scrutinizing Morgan's career, one prodigious virtue is encountered. It is that of consistency. The quality of his patriotism and heroism never changed from the time of his introduction into business. That rifle sale at the outbreak of the Civil War was the first exhibition of his intense patriotism. In 1894 his patriotic nature was again displayed consistently when he and his clique squeezed a profit of $18,000,000 or more from the Government in a time of need. In the panic of 1907 his never-failing patriotism was even more prominently shown.

While the effusions of the "popular writers" were wending the rounds of the country, a recalcitrant United States Senator was boring the august Senate of the United States with a long, tiresome speech. The bulk of the august Senate did not care to hear what this Senator, one La Follette, of Wisconsin, had to say, but were compelled to by the rules. The Senate of the United States was most sensitively jealous of its prestige and dignity. Most of its members at that time were multimillionaires. La Follette lacked that highly important qualification. Still more, he was painfully deficient in caste in another respect. He had not bought his way into the Senate of the United States, thereby outraging one of its most sacred canons. Hence he could give no real test of standing or any guarantee of wise, conservative statemanship.

But the majority of his colleagues had good reason to be impatient of La Follette's speech. His was a voice from the past. They represented the newer order, that of centralized industry, and a Government run directly by the magnates themselves. He was a relic of the old creed, that of the age of competition in industry.

For four long days, March 17, 19, 24 and 29, 1908, he delivered his lugubrious wail. "In their strife for more money, more power—more power, more money," he explained in describing the great magnates, "there is no time for thought, for reflection. Government, society and the individual are swallowed up in the struggle for greater control." Thus he stumbled through mazes of facts the purport and interpretation of which he did not understand. Neither did he comprehend the fundamental fact that commercial upheavals are not the work of individuals, but of the whole capitalist system; that certain powerful individuals or interests could accelerate or retard them, but could not be held responsible for their causation. According to him, a crowd of conspirators, headed by the Standard Oil Company and Morgan had deliberately brought on the panic; he fulminated against them and denounced them as arch criminals.

Amid his accusations, lamentations and platitudes Senator La Follette embodied certain facts of real historic value—facts confirmed by the records of what actually took place, and familiar to all close observers of events during the panic.

The panic of 1907, like previous panics, supplied the propitious opportunity to the great magnates to crush out lesser magnates and seize the control of their property.

The requirements of industrial centralization demanded the effacement of certain minor magnate groups which, from the point of view of the great magnates, had possessed themselves of a rather dangerous degree of industrial and financial power. These ambitious little magnates had imitated the methods of the great; they had combined fraudulent financial manipulation with the oppressive exercise of political power, and thereby had tricked or forced out the owners of various properties, and had then vested the ownership of those properties in themselves. The form was the usual one of organizing large corporations, with immense amounts of watered stock. These corporations were built upon the ruin, extinguishment or buying out of numbers of former independent business men.

HOW THE LITTLE MAGNATES GOT THEIR MILLIONS

One of these minor capitalist cliques was what was called the "Heinze-Morse-Thomas Group." Its control comprised twelve banks and two trust companies; a coastwise steamship company, consolidated by the inclusion of a number of steamship companies; large copper mines, a trust in ice, and various other properties. The control of some of these properties was largely secured by means of the enormous profits robbed from the poor by the exactions of the Ice Trust, and this robbery was made possible and easy by means of a corrupt alliance between Morse and the Tammany administration in New York City.

Before organizing the Ice Trust, Morse had been an inconspicuous banker. In the course of this business he had dealings in discounting the notes of various individuals and firms engaged in the selling of ice. Conceiving the idea of forming a trust in that necessity, he set about to crush out the small dealers. One of his first steps was to assure himself of the collusion of powerful politicians ruling the government of New York City.

In its investigation of the administration of New York City, the "Mazet Committee"—an investigating body appointed by the Legislature in 1899—exposed the conspiracy between the Ice Trust, on the one hand, and, on the other, the Dock and other municipal departments, to create and maintain a monopoly of New York's ice supply. Mayor Van Wyck, a puppet of the big Tammany leaders, subsequently admitted in his testimony, before Judge Gaynor, of the New York Supreme Court, that he had obtained five thousand shares, worth $500,000, of Ice Trust stock. He alleged that he had paid $57,000 in cash for them. Pressed for proof to substantiate his statement, he failed to prove that he had actually paid anything. The testimony before the "Mazet Committee" conclusively showed that the corrupt arrangement between the Ice Trust and the city officials was such as to compel the people to pay sixty cents a hundred pounds, and that the Ice Trust had stopped the sale of five-cent pieces of ice, practically cutting off the supply of the very poor.[2]

With its assured monopoly, the Ice Trust declined to make the slightest concession.

MILLIONS FROM SUFFERING, DISEASE AND DEATH

The result was a noticeably great increase in the rate of mortality among the children of the poor. Large numbers of families, living on the most precarious edge of destitution, could not afford to pay the extra five cents demanded for a piece of ice. The milk soured and acted like poison on the children. The increasing number of deaths in successive summers when the terrific heat made ice an absolute necessity, especially in the congested tenements, could be traced, in large part, to the methods of the Ice Trust. Millions of other people who could ill afford to pay the exactions demanded were compelled to give up extra tribute or go without ice.

Those methods were not any different from those of capitalism in every field. The invariable principle upon which capitalists acted, and by which they tremendously augmented their profits, was to sell necessities at the very highest price when the people needed them most. In the depths of winter the price of coal was always raised to an exorbitant point. While giving his bits of donations for the founding of hospitals, the successful capitalist reaped his millions from conditions productive of vast suffering and disease on every hand.

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[2] See "The History of Tammany Hall."

The more profits that he made, the more of a financial genius he was accounted by his class, and by all who were influenced by the standards of that class. As soon as Morse proved that he could exact immense profits, he was hailed as a foremost and very successful capitalist. The newspapers began giving extended notices of him, the price of Ice Trust stock went up in Wall street, and fine men and women in elegant society were only too eager to get hold of stock paying such rich dividends. True, charges of violating the law were made against Morse and his associates, but those charges were not based upon any concern for the mass of people, nor upon any indignation at the privations, suffering and deaths caused by the methods of the Ice Trust; they were made solely on behalf of the smaller firms whom Morse had forced out of business. District Attorney Jerome could discover no criminality in any of Morse's methods, and caused criminal proceedings brought against the Ice Trust officials to be dismissed.

From this process of exaction and indirect homicide on a great scale, the Ice Trust's profits became very great. The money thus taken in, Morse used to finance other enterprises. Buying up the control of a number of coastwise steamship lines, he consolidated them into one corporatoin, with the familiar accompaniments of stock watering and juggling. He allied himself with the Heinzes who owned large copper mines in Montana, and whose manipulation of the politics and politicians of that State was somewhat similar to that Morse used in New York City. Also, he made a coalition with Thomas, who controlled some New York banks.

On the surface this seemed a very powerful combination; not an opportunity was lost by Morse and his associates to spread abroad the impression that they were too formidable to be overthrown.

THE GREAT MAGNATES LIE IN AMBUSH

These men made much noise in the financial world, and dashed around with prodigious belief in their invincibility. They were vaunted as great financiers; doubtless inflated by their own success, they esteemed themselves so, and judged themselves fully able to cope with the great magnates. In the meantime, the Morgan and Rockefeller group was carefully observing their operations, and awaiting the ripe time when they could be crushed out at one blow. The Standard Oil Company wanted those copper mines, and the steamship company organized by Morse was considered a competitive menace to railroad lines controlled by the Morgan and Rockefeller interests.

Senator La Follette's account of events that followed was accurate as to the facts. In his speech in the United States Senate he gave this narrative:

> Suddenly, in the first days of October, somebody (to use a Wall street phrase) began to "smash United Copper on the curb." The stock broke badly. Standard Oil was getting under way. Doubtless, never suspecting the source, Heinze, through his brother, a member of the Stock Exchange, and through brokers, bought and bought until United Copper went out of sight, carrying down Heinze's brother, one firm of his brokers, and involving the Morse-Heinze banks in the crash.
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> Up to this point the panic had been well in hand, but with the revelations following hard upon clearing house investigations, it slipped its bridle, and the situation assumed a serious aspect. But not for one moment did Morgan or Standard Oil miss the opportunity offered. Morse and Heinze were forced out. They were compelled to reorganize their directorships, and substitute semi-dependent Standard Oil men as their successors. They were forced to sell their stocks for what they could get. Morgan attacked Morse's Consolidated Steamship Company stocks and bonds, and Morse was ultimately forced to surrender his steamship company combine, which he did.
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> They went after the Knickerbocker Trust Company, Charles T. Barney, president, and close ally of Morse's. It was charged in New York that the interests deliberately started a run on the Knickerbocker. Morgan was appealed to for aid. Morgan, whose plaudits have been sounded right here in this Chamber, was in a position to follow carefully every step and phase of this proceeding. In the first place, Morgan gave out, as reported in Wall street, that the Knickerbocker would be supported if it met the demands of the depositors who had started a run upon it. There was nothing in subsequent events to indicate that there was any sincerity in that promise, but an analysis of every step is convincing to the contrary. Support was not given; it was withheld. After the company, relying upon that pledge, had paid out millions, it was forced to close its doors, and Barney went to a suicide's grave.
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> Barney was likewise a director in the Trust Company of America, a comparatively new institution, with a few System directors, giving the great groups a semi-interest in the institution, though they have not yet taken it over. The raid of Heinze, Morse, Barney et al., and the latter's directorate connections with the Trust Company of America, caused public suspicion to fall upon it. A strong run was started. This was not on the program, but as the Vanderbilts, allies of the Standard Oil, were represented on the directorate of the Trust Company of America, Standard Oil was bound to offer some assistance. Though gold and bank notes were ostentatiously piled on the counters to impress depositors, and young Vanderbilt offered as an exhibit of resources and placed at their teller's window, the excited depositors persisted in demanding their money.[3]

In a day, as it were, the Morse-Heinze-Thomas group was smashed into nothingness, and its properties seized. If the experience of those venturesome little magnates had ended there, they would have had cause to rejoice over their good fortune. But their rout had to be made complete. The Federal authorities began to take a sudden interest in their operations. Where previously the Government's prosecuting officials had been wholly unaware that Morse, Heinze and Thomas had been committing fraud in their financial methods, they now spied out the fullest evidences. From certain quarters proofs were offered of violations of the law by the fallen trio. The United States District Attorney's office in New York City became alive with energy. It caused grand jurors to investigate, and showed striking official zeal in the prosecution. Heinze was indicted, and Morse brought to trial, convicted, and sentenced to fifteen years in prison—a verdict from which he appealed. The United States Circuit Court of Appeals affirmed the verdict.[4] After serving some years in the Federal prison at Atlanta, Morse was released.

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[3] "Centralization and Community of Control in Industry, Franchises, Transportation and Finance—The Panic of October, 1907, and Its Lesson."—Speech of Hon. Robert M. La Folette of Wisconsin, etc., 21-22.

Morse and Heinze learned two valuable lessons which all aspiring little magnates could well take to heart: First, that it was extremely unwise to cross the interests of the really big magnates; and, second, that those magnates could use the criminal machinery of the courts against opponents of their own class, not less than against labor leaders, labor unions and the propertiless in general.

But the grasping of the properties of the ousted combination were not the only seizures during those harvest days of the panic of 1907. The electric apparatus factories of the Westinghouse Company had long been in the way of the Standard Oil interests, which owned the General Electric Company. Standard Oil interests exercised a financial pressure during the panic that soon drove the Westinghouse Company into a position from which it escaped only by becoming an auxiliary of those interests. And, in the conferences held by the Wall street financiers during the early days of the panic, Morgan learned that the control of the Tennessee Coal and Iron Company, in the form of stock, had been placed with the Trust Company of America by John W. Gates and his associates to secure loans. This was information of the highest and most momentous value.

THE STEEL TRUST ABSORBS A DANGEROUS COMPETITOR

The Tennessee Coal and Iron Company was the most dangerous competitor of the Steel Trust. It was the one great competitor having its own sources of iron ore and coal supply. In the fall of 1907 it owned, it was estimated, from 500,000,000 to 700,000,000 tons of iron ore, 2,000,000,000 tons of coal, and "very large quantities of flux and fluxing material." All of these coal deposits were within a radius of thirty miles of its plant in Birmingham, Ala.[5] The owners of this company were planning improvements which would have made it an even more serious competitor of the Steel Trust, and they had plans under way of merging the Republic Steel Company with their corporation. Moreover, the Tennessee Coal and Iron Company was foremost in the development of the open hearth system of making steel rails. Its rails were in greater demand, and brought higher prices, than those of the Steel Trust.

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[4] During his commitment in the New York city prison the United States judges allowed him to go out every day in order "that he might attend to necessary business." Of the vast number of persons convicted of crime, not a single instance was ever known of a poor prisoner being allowed to leave prison during the day so that he might work for his family. The court decided later that Morse could go free under bail pending the decision of his appeal. No poor prisoner was allowed this privilege.

[5] Testimony before the United States Senate Committee on Judiciary, February 2, 1909.

In the difficult financial position of the Trust Company of America, the Morgan interests saw their great opportunity of eliminating the competition of the Tennessee Coal and Iron Company. To prevent itself going into bankruptcy, the Trust Company of America needed large and immediate amounts of cash, which was scarce. Morgan and his clique had the cash. The condition insisted upon by Morgan was that the company should sell him the stock of the Tennessee Coal and Iron Company that it was holding as collateral for loans. Hard pressed, the Trust Company of America had to yield, and sell the stock at the low price offered. The next move was to make the Tennessee Coal and Iron Company a part of the Steel Trust.

There was, however, an obstacle. The Federal anti-trust law prohibited such combinations. How could this situation be overcome? President Theodore Roosevelt was incessantly and gustily threatening the great magnates with the enforcement of this law. But apparently Morgan knew Roosevelt much better than the country knew him. He undoubtedly reckoned that Roosevelt's talk was mere words, and that Roosevelt would prove his subservience anew in acts.

The report went that Morgan, through emissaries sent to the White House, informed Roosevelt that unless the merger of the two steel companies was allowed by the Government, the Trust Company of America would go down in failure, causing a train of other bankruptcies, and the panic would be intensified manifold. Whatever were the reasons for Roosevelt's submission, he gave his consent. At that very time the courts were enforcing the anti-trust law with a construction that no one had dreamed of when the law was passed. The eminent judges discovered that labor unions were trusts, and issued writs against them on the ground that they were conspiracies in defiance of that law! Roosevelt was bitterly denounced;[6] his action, however, mattered little so far as the merging of the two corporations was concerned; had not the Steel Trust obtained control at that particular time it would have inevitably done so at some other time, and by another process.[7] According to disclosures before the Senate Committee on Judiciary, the Steel Trust made a profit of $670,000,000 by forcing the Trust Company of America to sell the control of the enormously valuable plants and mines of the Tennessee Coal & Iron Company at a preposterously low price.

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[6] Seven United States Senators signed a document severely arraigning him for sanctioning a violation of the anti-trust law and for practically commanding the United States Department of Justice to take no steps for an enforcement of the law.

Under the caption of "Morgan, Dictator," the Berliner Tageblatt, on December 3, 1907, published a leading article on its financial page, urging the prosecution of Morgan for blackmail in threatening a more disastrous calamity in case Roosevelt did not accede. Under the German laws, said the Tageblatt, Morgan would have been immediately arrested for blackmail.

[7] The futility of the anti-trust law, so far as it is applied to corporations was mockingly shown by Congressman Littlefield, one of the Republican leaders of Con-

Where did Morgan and his associates get the money with which to carry on the process of terrorizing the country and gathering in immense industrial and other properties? Again, the people had another of those frequently occurring vivid opportunities of seeing how thoroughly the United States Government was an instrument of the capitalists. In the banks there were hundreds of millions of Government money. The few oligarchs controlling the great banks were allowed to use this money as though it were their private property. They declined to loan any money to anyone until their plans were ready, and when they did loan, it was at extortionate rates of interest. Even this complete transference of Government funds did not satisfy them; they demanded more. The Government at once responded. Cortelyou, Secretary of the Treasury, instantly permitted the national banks to issue $30,000,000 more in paper currency, and made the mints work night and day to turn out fresh coin.

Posing as the savior of the country, Morgan came forward at the auspicious time, on the afternoon, of October 24, 1907, and magnanimously announced his desire to "relieve the tension." Excepting the very few magnates thus engineering the whole situation, there was a general clamor for loans of money. The loans were finally given on that afternoon. The "savior of the country" demanded from 20 per cent. upwards for loans, and exacted securities as collateral at heavy sacrifices to the borrowers. The money that he thus loaned was Government money, squeezed in taxation from the producers. It was a classic example of Government of, for and by the great capitalists.

NO AID FOR THE UNEMPLOYED

While the Government was placing the treasury of the United States at the disposal of Morgan, what was it doing for the millions of workers thrown into enforced idleness and destitution? By June, 1908, it was conservatively estimated that perhaps five million workers in the United

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gress. In an address to the Illinois Bar Association on June 27, 1908, he pointed out:

"In 1907 the Government had in its service one hundred and seventy-one District and Assistant District Attorneys. This little army of lawyers cost the Government in salaries and expenses $735,612.06, in addition to the salaries of the Department of Justice, amounting to $270,965.58. By the exercise of due diligence they obtained 9,741 convictions for violation of the law. The average number of convictions for violation of the Sherman Anti-Trust law during the last six and one-half years is a little more than one a year, only seven since September 14, 1904.

"In order to get the full significance of this record it should be borne in mind that during this period the Government has had available for its use for the enforcement of this special statute $500,000 in 1904, and $250,000 in 1908. Since September 14, 1901, with eight injunctions and seven convictions, $386,242.88 has been expended for this special purpose, resulting in fines of only $96,000."

States were out of work, and could get none. Reports from the charity organizations in every city showed that the cities were overcrowded with the homeless and unemployed. Destitution was rife, and cases of starvation of men, women and children, were more frequent than the official reports dared reveal. The jails throughout the country were crowded with men who, thrown out of work, were adjudged vagrants and sentenced. Many of the homeless voluntarily committed some breach of the law in order to be sent to jail. There, at least, shelter and food could be obtained. Many towns adopted the plan of deliberately driving out the unemployed. Everywhere crime increased; driven to absolute necessity, many workers stole, and, of course, were dispatched to prison. The Social Ethical League, of New York City, reported that crime had increased fifty per cent. within six months.

With destitution and starvation everywhere, what did the Government, whether National, State, or city, do for the unemployed? Nothing except to club and terrorize them when they presumed to hold street meetings to plead for the right to work.

In the whole sphere of government there was not a single real representative of the workers to speak or act for the workers. The Government was a Government elected largely by the votes of millions of workingmen, yet the working class did not have a single mouthpiece in that Government. A Senator such as Davis of Arkansas might rise, as he did, in the United States Senate on December 12, 1907, and fiercely denounce "the stock gamblers and thieves of Wall street," but, he, and all like him, did not speak for the working class, about which they cared nothing save to keep it in submission; they spoke for the middle class and for that alone.[8]

AN AUTOCRAT

The panic of 1907 smashed lesser fortunes right and left, but Morgan emerged with far greater possessions. But before dealing with his financial dictatorship, some mention should be made of his autocracy over great numbers of working people as well as describing his autocracy over money.

Almost without exception, as a result of the aggressive non-union policies of large corporations, the employees of those corporations were unorganized. Wages were low, hours of work long, and there was deep-seated discontent among employees, particularly of the Steel Trust. How the fate of hundreds of thousands of its workers was determined by a single will, that of Morgan, was shown by a cable sent by Morgan from Aix Les Bains to E. H. Gary, executive head of the United States Steel Corporation. This cable was read at a meeting of the finance committee of that corporation on April 27, 1909. It read: "Have received your cable of yesterday. My own views are in accordance with those of the financial committee in New York. Certainly until question of wages has been settled by the coal and railroads, which still in abeyance, but settlement seems imminent. Whole question wages should be settled simultaneously by all interests possible. Going Paris Wednesday. Will see there H. C. F. [Henry C. Frick] and P. A. B. W. [P. A. B. Widener] and will cable you results of interview. If possible and meets your approval, think better wait until after interview. Perfectly delightful here. Weather superb." In reproducing this cable, the Final Report of the U. S. Commission on Industrial Relations pointed out that the United States Steel Corporations' army of workers was only a portion of a great total of a number of those interrelated large corporations controlled by a few financial groups and affiliated interests. Corporations controlled by six financial groups alone had a total capitalization of nearly $20,000,000,000, and employed 2,651,684 workers. The Morgan-First National Bank group alone controlled corporations employing nearly 800,000 workers. The Report commented upon Morgan's cable:

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[8] A very curious speech Davis' was—a belated product of the brand of the year 1880. (See Congressional Record, First Session, Sixtieth Congress, Vol. xlii, No. 8: 285-299.) Davis spoke for the interests of the Southern cotton planters.

NO KNOWLEDGE OF INDUSTRY

"The lives of millions of wage earners are therefore subject to the dictation of a relatively small number of men. These industrial dictators for the most part are totally unconcerned with regard to the working and living conditions of the employees in those industries. Even if they were deeply concerned, the position of the employees would be merely that of the subjects of benevolent industrial despots." [9]

Intense public agitation caused in ensuing years some reduction in the long working hours and the introduction of some improvements in safety and sanitation in the steel plants. But meanwhile periodically the workers revolted against low wages. One of the last great upheavals, with their strife and bloodshed, in steel plants, was in the Bethlehem district, in 1910. After that time protests of workers were classed by the management as "minor differences." All of the large corporations for years sought to prevent the organization of employees. Those corporations refused to deal with labor unions, maintained elaborate systems of espionage, and discharged employees suspected of union affiliation.[10]

"COMPANY UNIONS"

But by the year 1921, a new plan of regulating workers was evolved. This was the plan of "company unions," devised, fostered and supervised by the corporations themselves. Thereafter, these corporations, the Steel Trust in particular, pointed with great pride and self-satisfaction how workers had benefited from the "company union" scheme of employee representation in all disputes, and by virtue of this plan, had won in most of the cases settled in amicable conference.

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[9] Final Report, U. S. Commission on Industrial Relations, Vol. I:81.
[10] Ibid., 81.

These claims went without serious contradiction—at least the general public was not informed of the other side—until 1936. John L. Lewis, president of the United Mine Workers of America and Chairman of the Committee for Industrial Organization, had set out to organize the 500,000 workers in the steel industry into one great industrial union. In a speech, which was widely published, on July 6, 1936, he declared: "These company unions are pious pretexts for denying the steel workers the right of organization. Their constitutions and by-laws are drawn by lawyers for the company. No changes can be made without the company approval. The officials are selected under company supervision. No method of independent wage negotiation is provided. No wage contracts have in fact been made between the companies and their employees under the company union plan." The steel industry, Lewis further declared, did not intend to grant its employees the full liberty of organization; interference and coercion were "manifested in an elaborate system of spies, and in a studied discharge of those who advocated any form of organization displeasing to the management."

MANY BILLIONS IN PROFITS

From the time of its organization the United States Steel Corporation had distributed many billions of dollars in profits. During the World War its profits, called earnings, on its common stock rose to phenomenal proportions—from 11 per cent in 1913, to 48.46 in 1916, and to 39.15 per cent in 1917. During the same time its profits on preferred stock increased from 22.54 to 75.37 per cent. Even after payment of Federal income and excess profit taxes, the United States Steel Corporation had, in 1917, a net income of $244,738,908 remaining from its total revenue of $478,000,000. The huge profits went to enrich a few, for of the more than 100,000 stockholders, less than two per cent held half of the stock, while the final control of the Steel Trust rested in the house of J. P. Morgan & Company.

BUT NO SUBSISTENCE WAGE FOR WORKERS

Years of extraordinary profits were, of course, followed by years not so plenteous or by depression years in which profits fell, but the lot of the great body of workers in the steel industry remained precarious in the entire series of years. Studies of twenty-one industries by the National Industrial Conference Board were cited by John L. Lewis as showing that the steel industry ranked last, both as to actual money wages and real wages, during the period 1923-1936. In March, 1936, the average wage paid to workers in the steel industry was 65 cents and to unskilled workers 47 cents an hour. Although, Lewis pointed out, this industry had produced great numbers of millionaires and a roster of multimillionaires, "it has never throughout the last thirty-five years paid a bare subsistence wage, not to mention a living wage to the great mass of its workers."

The profits of the steel industry, Lewis pointed out, had been relatively as enormous as its wage payments had been small. "Greater payments have not been made to wage and salary workers because the large monopoly earnings realized have been used to pay dividends on fictitious capital stock, to add physical values in the way of plant extensions, and to multiply the machines that displace labor."

Lewis declared that he and his colleagues well knew the consequences of attempting to organize steel workers into real, standard unions. "From bitter experience we know what this means. It means that meetings of steel employees will be disrupted by thugs and hoodlums employed by the steel corporations; that the organizers themselves will be brutally beaten; that the police and judicial authorities of steel manufacturing communities, who are designated and dominated by the steel companies, will be used to arrest labor union organizers, to imprison them on false charges, maltreat them while cruelly imprisoned, and in many cases forcibly drive them from the community."

From 1901 to 1936 many vicissitudes had involved affairs but none had affected the dictatorial power of the house of J. P. Morgan & Company. Throughout all of those years it continued to dominate the steel industry. Lewis did not omit to point out the anomaly of the financial exploitation of whole groups of huge industries by private bankers. He could justly cite, and he did, the findings of an exhaustive Congressional investigation which showed the control over the economic affairs of America was held by a small inner group of New York private bankers and financiers headed and dominated by J. P. Morgan & Company.

We shall here go back to that investigation, for it was in the years covered by it that there came the greatest aggrandizement of Morgan's power, retained by the house of J. P. Morgan & Company. The House of Representatives, in 1912, had authorized the Committee on Banking and Currency to investigate banking and currency conditions in the United States.

After a thorough examination, the committee reported that there was increased concentration of control of money and credit. It had been effected in a number of ways. One of these was by means of consolidations of competitive or potentially competitive banks and trust companies. The same powerful interests became large stockholders in these. Another way was by the system of interlocking directorates. A third way was the control over management secured by big banking houses, banks and trust companies in insurance companies, railroads and public utility and other corporations. This control was obtained by means of stockholdings, voting trusts, or by supplying money requirements enabling the bankers to participate in determining the business and financial policies of a multitude of corporations. Still other ways of fortifying this control were set forth in the report.

MORGAN AT THE HEAD

The committees report specified six banking houses which were most active in this concentration of money and control. At the head of the list stood J. P. Morgan & Company. Next came the First National Bank and the National City Bank, both of New York.

Detailing the composition of J. P. Morgan & Company, the report told how that firm and Drexel & Company of Philadelphia were one and the same firm. J. P. Morgan & Company was also a partner in the London banking house of J. S. Morgan & Company, and in the Paris house of Morgan, Harjes & Company. Morgan's firm, the report stated, did a general banking business and was a large lender of money on the New York Stock Exchange. More especially it acted as a purchaser or agent of the securities of big corporations. For these stocks and bonds it found a market, selling them to other banking houses, banks and trust companies or to insurance companies or to the general public.

Although Morgan was a witness before the committee, no definite information could be obtained from him or from any other source regarding his firm's resources and profits. Neither was the committee, as it reported, able to ascertain the firm's revenues from sales of corporation securities. But the committee was able to find certain facts disclosed by available records. On November 1, 1912, J. P. Morgan & Company held deposits of $162,491,000, of which nearly $82,000,000 was deposited by 78 corporations, on the directorates of 32 of which that banking house was represented. During the years 1902 to 1912, inclusive, J. P. Morgan & Company directly procured the public marketing of corporation security issues amounting in round numbers to $1,950,000,000. But this amount included only issues of certain corporations the figures as to which were obtainable. The Committee was not able to get information regarding the volume of securities privately issued or marketed by J. P. Morgan & Company.

In full detail the Committee's report specified the affiliations of J. P. Morgan & Company with a long list of banks and trust companies. It then summarized: "J. P. Morgan & Company and their nominees thus control or have a powerful voice in banks and trust companies in the City of New York, with resources of $723,000,000. Its own resources are unknown, but adding only its deposits, $162,000,000, the amount becomes $885,000,000; adding the resources of the Equitable Life, it becomes $1,389,000,000." Then the committee's report went on to particularize J. P. Morgan & Company's affiliations with a large number of important railroad and other transportation systems, including the International Mercantile Marine, and a further large number of other corporations, led by the United States Steel Corporation.

THE FIRST NATIONAL BANK'S DIVIDENDS

Turning its attention to the First National Bank of New York, in which J. P. Morgan & Company and individual members of that firm were large stockholders, the Committee's report described its resources of $150,000,000, and its exhaustive ramifications of affiliations with other corporations. From 1874 George F. Baker had been president of the First National Bank of New York, and at the time of the committee's report was Chairman of the Board of Directors. "From 1889 to 1901," the Committee reported, "dividends were paid [by the First National Bank of New York] at the rate of 100 per cent per annum on a capital stock of $500,000. In 1901 there was a dividend of $10,750,000—2,150 per cent—$9,500,000 of which was declared for the purpose of increasing the capital stock to $10,000,000." Quite obviously on this increased capitalization, the yearly dividends thereafter were nominally lower. But they were still proportionately great, ranging from 20 to 38 per cent from 1902 to 1912, and in one year—1908—ascending to 126 per cent. Even after the increase of capital, the First National Bank of New York paid 398 per cent, or an aggregate of $39,800,000 in eleven years. Baker himself testified to these figures. Little wonder that the market value of that bank's stock, after the increased capitalization, was quoted in 1912 at upward $1,000 a share. As the testimony before the committee showed, Morgan and Baker considered themselves eminently qualified to be fit business associates. The report of the House of Representatives Committee on Interstate and Foreign Commerce, in 1931, showed that George F. Baker and his son owned almost 490,000 shares of common stocks in seven railroads. Among these holdings were 173,400 shares in the Delaware, Lackawanna & Western, and 204,363 shares in the New York Central.

"THE GRAND OLD MAN OF WALL STREET"

Baker, too, attained the reputation of philanthropist by giving away sums for this or that purpose. When he died at the age of 92 in 1931 many were the eulogies of his career, and in newspaper articles he was glorified as the "dean of American banking" and "the grand old man of Wall street." At the time of his death the value of his estate was placed at $75,000,000, but—so published accounts stated—he had, about a year before his death, transferred a substantial portion of his bank stock to his son of the same name. By the will, this son received the bulk of his estate, each of his two daughters $5,000,000, the New York Public Library $250,000, and another $250,000 was bequeathed to the Protestant Episcopal Cathedral Foundation of the District of Columbia to be used for the erection of an addition as a memorial to his parents. There were small legacies for two institutions. By force of inherited holdings, son succeeded father as Chairman of the First National Bank.

Notwithstanding the inroads of the financial and industrial depression, Baker's estate remained high in the multimillionaire class. The great stock market collapse of 1929 and subsequent disasters had shorn many of whatever money they had possessed, but the great Baker fortune was only diminished. An appraisal for tax purposes in 1934 of the elder Baker's stock holdings put the amount at $73,057,199, but the current value in a depressed market was $49,973,261. The appraisal value of his stock in the First National Bank and First Security Corporation was $40,601,000; the market value, $23,450,000. To these amounts were to be added his $772,000 of real estate.

CONTROL OF MORE THAN $2,000,000,000.

To return, however, to the committee's report on concentration of financial control: It itemized the numerous bank, railroad, industrial corporation affiliations of the National City Bank in which J. P. Morgan & Company were large stockholders. It then gave the combined power of J. P. Morgan & Company, the First National Bank and the National City Bank. By their own known resources and through interlocking directorates and in other ways, this group controlled resources of $2,104,000,000. The members of the firm of J. P. Morgan & Company held, in all, 72 directorships in 47 of the greater corporations.[11]

Morgan stood forth unquestionably as the supreme dictator of cashdom. His entire life had been devoted to the handling and amassing of money. Yet when he appeared before the investigating committee, he talked about the importance of character. The first thing, said he, in giving commercial credits was character, and that came before money or anything else. In so many words, the committee's report dismissed his claim as persiflage. None of the other witnesses, it stated, agreed with his version. In his testimony George F. Baker made it clear that when loans were made, banks looked to the security and not to the borrower, and, of course, this was everywhere and always the fact.

MORGAN'S DEATH AND THE FLOOD OF EULOGIES

It was at Rome, Italy, that Morgan died of exhaustion on March 31, 1913. To the hotel there, where he had occupied a suite of two parlors and eight sleeping rooms costing $500 a day, came a flood of messages of condolence. Among them was one from King Victor Emanuel of Italy, and another from Pope Pius X who described Morgan as "a great and good man."

In London the Evening Standard hailed his power as wielding "an influence in England no less potent than in America;" the Pall Mall Gazette described him as "a towering constructive force in the finance of two nations and a generous benefactor in many other fields;" Lord Avebury, Chairman of the London Bankers acclaimed Morgan as "a genius and we bankers are proud of him;" and Alfred De Rothschild, a brother of Lord Rothschild, said: "It is impossible in a few words to do justice to this giant in finance, a man equally great in everything connected with science and art, with an ever generous heart for all those who came in contact with him."

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[11] The foregoing facts as to financial control by J. P. Morgan & Company and a few other banks are only some main points of the great amount of data in the Report of the House Committee to Investigate Concentration of Control of Money and Credit, 1913:56-91.

Speaking of Morgan's art taste and judgment, a suggestive cable from London was published in the newspapers. It declared that his death "caused something akin to consternation in art dealing circles in London." This, it was explained, was not because for some years he had been the biggest buyer, "but that his example stirred the ambition of others and the threat of his competition stimulated other wealthy collectors." Furthermore, "American art collectors for some time to come will be less ready to pay from £5,000 to £100,000 for a picture or a piece of tapestry." The Economist of London stated (April 12, 1913) of Morgan: "As a collector, it is said he was too hasty and uncritical, and too dependent upon art dealers. The great prices which he willingly paid did much to produce the present demoralization in the art market." Much of his collection was loaned to the Metropolitan Museum of Art in New York City.

Morgan's art collection signified a lavish expenditure of cash—a side issue of a magnate who could buy whatever was recommended or urged. Yet he had been extravagantly applauded as a man of innate love of art, a discriminating judge, and an exquisite connoisseur. Similar plaudits were bestowed upon him as a profound devotee of music, and this for no other visible reason than the position he held as one of the patrons and directors of the Metropolitan Opera House—a position filled by a group of millionaires whose support was cordially invited. For books and original manuscripts Morgan also made large outlays. He maintained his own private library in a building on Thirty-sixth street adjoining his Madison avenue mansion. By a special act of the Legislature, in 1924, this library was incorporated as a public library—the Pierpont Morgan Library. In a suit over taxes H. S. Morgan, treasurer of the body in charge, stated in 1936 that in 1924 the building was valued at $2,000,000, and the collections at $5,000,000. The present J. P. Morgan had given a total of $5,172,613 in gifts to the library, and Lewis Cass Ledyard, for many years a Morgan lawyer, had in his will left $250,000 to the library.

So much for the elder Morgan's activities in the realms of art. In New York the news of his death evoked an outburst of panegyrics. That event had "removed from America's large activities, its most conspicuously useful figure." So declared a resolution of the Governing Committee and members of the New York Stock Exchange. The resolution ran on: "To the development of the resources of our country he has contributed more than any man in our day. His immense constructive genius was devoted not merely to American finance and industry, but to the whole wide field of philanthropy and humanity. The whole world has lost a wise counsellor and a helpful friend." George F. Baker, E. H. Gary and other leading capitalists lauded Morgan as a patriot and a foremost citizen. New York newspapers eulogized Morgan. "He left," editorially said the Tribune, "great riches, but he also left a good name more priceless than great riches." He was "an uncrowned monarch," said the Press, and "easily the commanding figure in the vast world of constructive and administrative finance." Other newspapers editorialized in the same strain. Even the World, a crusader against corporate corruption and juggling, joined in this wise: "No man clothed with irresponsible, autocratic power could be expected to wield it more honorably or ably or patriotically than he." Similar was the praise in newspapers in other American cities and in Canada.

Morgan left an estate placed by the transfer tax appraisal three years later at somewhat more than $78,000,000. His bequest to his son of the same name, familiarly called "Jack" by his associates, was valued at $53,684,000. The elder Morgan also left other legacies to other members of his family, he established trusts to conserve the same and bequeathed sums to various individuals. His only public bequests were $500,000 to St. George's Church and $100,000 each to two charitable institutions.

In the year following Morgan's death, came disclosures of the enormities in the mishandling of the finances of the New York, New Haven & Hartford Railroad Company which the elder Morgan had dominated. Relatively small individual investments in this line were widely held in New England. In 1910, when the New York, New Haven & Hartford Railroad was allowed to merge with the Boston & Maine Railroad and acquire interurban street car lines operated by trolley, many of these investors felt deep concern as to the ways in which funds were being used. Curtis Guild, Jr., former Governor of Massachusetts, declared that repeatedly there had been evasion of a Massachusetts law forbidding a steam railroad operating in that State from acquiring trolley lines operating there. In a conservative Boston financial paper, the Commercial Bulletin, published by Guild, there appeared an editorial, on February 18, 1910, calling Morgan "a beefy thick-necked financial bully, drunk with wealth and power," who "bawls his orders to stock markets, directors, courts, governments and nations." This characterization was certainly very different from the stereotyped eulogies of Morgan both before and after his death, and corresponded closely with the remarks privately made by some Wall street men who publicly indulged in fulsome praise.

LOOTING OF THE NEW YORK, NEW HAVEN & HARTFORD RAILROAD

Later came charges of enormous looting in the affairs of the New York, New Haven & Hartford Railroad. In introducing a resolution in the United States Senate instructing the Interstate Commerce Commission to investigate, Senator Norris of Nebraska, on February 3, 1914, urged: "We should have the whole truth about the robberies that have taken place in the past." If the charges were true, said Senator Borah three days later, "five or six of those men behind the bars in stripes would have the most tremendous moral effect on this country of anything that I can conceive." "If," said Senator Lodge of Massachusetts, "the charges were true, they showed that the stockholders of the company were robbed." And he added: "That is the plain English of it." Again later Senator Norris referred "to the depredations of a lot of pirates," and pointed out that the railroad's stock, formerly selling as high as $200 a share (in 1903, in fact, it sold at $225) was at this time down to less than 50 cents on the dollar. Where had vast sums of money gone? The truth, Senator Norris demanded, should be uncovered.[12]

The United States Senate passed the resolution, and fully understanding that it was expected to make a real and not a nominal investigation, the Interstate Commerce Commission probed deeply. In his testimony on May 19, 1914, Charles S. Mellen, who had been President of the New York, New Haven & Hartford Railroad, told how, in 1903, he had been placed in that position by "the late Mr. Morgan" who controlled the line.

Mellen related how he took his orders from Morgan, and how he stood in greater awe of Morgan than of any other man he ever met. This awe, Mellen further testified, was probably shared by the other directors who did not want to contend with Morgan, although they had their misgivings. But after the Directors' meetings, Mellen stated they came around and discussed matters with him privately.

Mellen's testimony gave a lurid insight into the power exercised by Morgan over a group of men each of whom was supposed to be a strong man in the financial world. For the Directors were all multimillionaires, who in their particular domains, had aggressively forced their way into the realms of wealth and whose financial acumen and judgments were regarded among their own class as beyond question. Yet, as described by Mellen, these men, each an overlord in his own financial province and demanding and exacting awe, were easily overawed by Morgan who commanded them as though they were so many tools to execute his will

GLARING MALADMINISTRATION

The findings of the Interstate Commerce Commission disclosed one of the most flagrant stories of corporation corruption in American annals. In its Report the Commission told how, in its search for the truth, it had to overcome many obstacles; in the aim to frustrate its investigation, books, letters and documents had been burned, and witnesses had refused to testify until the instituting of criminal proceedings forced them to do so. Moreover, the Commission had to burrow its way through the affairs of more than 300 subsidiary corporations of the New York, New Haven & Hartford Railroad system. These corporations, the Commission report stated, "were in a web of entangling alliances with each other, many of which were seemingly planned, created and manipulated by lawyers expressly retained for the purpose of concealment or deception."

Its research into the financial workings of this railroad system, the Commission reported, had disclosed "one of the most glaring instances of maladministration revealed in all of the history of American railroading." Many instances were uncovered of outright violation of laws of different States, and "the greatest losses and most costly blunders were made in attempting to circumvent governmental regulation and to extend its domination beyond the limits fixed by law." From $93,000,000 in 1903, the total capitalization of the New York, New Haven & Hartford Railroad had been run up, in the next ten years, to $417,000,000, exclusive of stock premiums. This was an increase of $324,000,000, only $120,000,000 of which was expended on its railroad property and for improvements and equipment. This left the sum of $204,000,000 which was spent for operations outside of its railroad sphere. Through the expenditure of this sum, the Report went on, this railroad system practically monopolized the freight and passenger business of five States.

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[12] The Congressional Record, Sixty-third Congress, Second Session, 51, Part 3 3023-3028.

LAVISH SCATTERING OF MILLIONS

How was this monopoly accomplished? By acquiring a monopoly of competing steamship lines and trolley systems in the section in which the railroad operated. "The financial operations necessary for these acquisitions and the losses which they have entailed," reported the Commission, "have been skilfully concealed by the juggling of money and securities from one subsidiary corporation to another." Nevertheless, the Commission was able to ascertain many of the facts. Its Report related how the Boston & Maine Railroad had been despoiled, and how in the case of the New York Westchester & Boston Railway "the enormous sum of $36,434,173.25 was expended for a road only 18.3 miles in extent, which is being operated at an annual loss of approximately $1,250,000." The acquisition of this Westchester line "was planned and executed by a special committee of the board, consisting of Directors Morgan, Rockefeller, and Miller with President Mellen as Chairman."

The purchase of the Rhode Island trolleys was another instance of millions wasted on properties that brought an annual deficit instead of a surplus. For the acquirement of these trolley lines $24,352,000, or more than double their value, was spent in money and securities. The same prodigality was shown in the buying of Connecticut trolley lines: for these, as Mellen himself testified, $10,000,000 more than their value was paid. Also, the same features marked the acquisition of steamship lines. If Mellen's testimony was correct, President Theodore Roosevelt promised that the Government would not intervene to prevent the merger of steamship lines in return for a guarantee that those lines would not be sold to Charles W. Morse. These were some of the transactions disclosed in detail by the Interstate Commerce Commission which set forth how the inevitable result was the outpouring of an enormous amount of watered stock. But, it may be parenthetically added, there was a further result shown by an event twenty-one years later. When, in 1935, the New York, New Haven & Hartford Railroad Company filed a petition for reorganization under the Bankruptcy Act, the assertion was made that much of its financial trouble came from the unprofitable investments made nearly three decades previously.

Returning, however, to the Interstate Commerce Commission's narrative, it is seen that squandering of great sums in buying properties was not by any means the sole activity of the New York, New Haven & Hartford railroad group. The Report told of "the unwarrantable expenditure of large amounts in 'educating public opinion' "; hundreds of thousands of dollars were spent in the aim to influence public sentiment; "newspapers that could be subsidized were subsidized." Retainers were lavished on attorneys in five States—attorneys "who rendered no itemized bills for services and who conducted no litigation to which the railroad was a party." There was also extensive use of a paid lobby in legislatures; there was a "profligate issue of free passes to legislators and their friends; and there was an unlawful diversion of corporate funds to political organizations." These were only a few of the disclosed operations, one of which was "fictitious sales of New Haven [New York, New Haven & Hartford Railroad] stock to friendly parties with a design to boosting the stock and unloading on the public at the higher 'market price'."

$60,000,000 TO $90,000,000 LOSS

Without considering the immense sums thus wheedled out of the public in stock market manipulations, what was the amount of loss caused to the company's stockholders by the foregoing operations? ". . . It is submitted," reported the Interstate Commerce Commission, "that a reasonable estimate of the loss to the New York, New Haven & Hartford Railroad Company by reason of waste and mismanagement will amount to between $60,000,000 and $90,000,000." Summarizing the proved facts, the report declared that the company's Directors consciously transgressed anti-monopoly laws; that the monopoly acquired was corrupt; and that the Directors were "criminally negligent." [13] Indictments under the Sherman Anti-Trust law were later returned by a Federal Grand Jury against the railroad company's directors or ex-directors, but nothing more serious happened to them.

THE SECOND J. PIERPONT MORGAN

And now finally leaving the career of the first J. Pierpont Morgan, we turn to that of his son of the same name, the inheritor of vast wealth and financial power, the master of numerous great industrial corporations. What comprehension of industrial conditions was possessed by this scion thrust by sheer accident of birth into rulership over plants and enterprises commanding a capital of nearly $2,500,000,000, and employing armies of men? He himself gave a lucid idea of his particular qualifications when he was haled as a witness before the U. S. Commission on Industrial Relations, on February 1, 1915.

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[13] Interstate Commerce Commission, No. 6569, Report of Investigation of Financial Transactions of the New York, New Haven and Hartford Railroad Company 1914:1-38.

A portly man, exceedingly well attired, and in general looking like his father save that his lineaments were undisfigured and his eyes lacked the paternal fierceness, J. P. Morgan was a frank witness, often smilingly giving his testimony and at times he was moved to laughter. He, however, kept his gaze intent upon his questioner, Frank P. Walsh, Chairman of the Commission, occasionally jerking his right hand toward Walsh. Morgan told that he was a director in the United States Steel Corporation, the Northern Pacific Railway, the International Mercantile Marine and the Pullman Company, but as to the other corporations in which his banking house was financially interested, he did not know the names or number; "it would," he stated, "be a very long list," and he could not give it without consulting the books.

HIS IGNORANCE OF INDUSTRIAL CONDITIONS

Asked what the number of employees was in corporations in which he was a director, Morgan admitted ignorance; "I have not an idea," said he. The only conditions that he knew about, he testified, were financial conditions. The Directors' meetings were very brief, he explained; those of the United States Steel Corporation, for example, lasted on an average of twenty-five minutes to half an hour, and financial matters and business policies were frequently discussed, although how there could be any adequate discussion in so short a span he did not elucidate. In Morgan's opinion, Directors were not at all responsible for the labor conditions in industries in which they were the directing power. Who, then, was responsible? The executive officials or their underlings, Morgan replied. Interrogated further, Morgan testified that he had no opinion on what the length of a working day for employees should be, or what the income of an unskilled workingman. Chairman Walsh pointed out that the record of testimony seemed to show that the wages of longshoremen in the International Mercantile Marine were from $10 to $12 a week. "Do you think," he queried, "$10 a week is enough for a longshoreman to earn?" "I do not know, sir," Morgan answered. "If that is all he can get and he takes it, I should think it was enough." He had given no thought, Morgan testified, to the age limit or length of workday allowable to children in industry.[14] Such were specimens of Morgan's testimony.

At a period when social problems were matters of widespread agitation, Morgan revealed himself as having no thought for them, and at a time when there was intense public discussion of employment evils and other working problems, he openly and bluntly avowed that he had no opinion as to child labor, working hours or wages of laborers. He did know, however, the revenues flowing into the corporations of which he was a Director; omitting others, we shall merely instance the Pullman Company; during the career of this concern the stockholders had received cash dividends of at least $167,000,000, and special stock dividents of $231,000,000 on an actual investment of $32,601,238.[15]

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[14] Report of U. S. Commission on Industrial Relations, 1916, 9:8084-8104.

Perhaps by 1927 Morgan's information regarding labor conditions might have been enlarged, but there is no record indicating the fact. At any rate, in that year, a triumvirate composed of himself and two other men was established to direct the affairs of the United States Steel Corporation, and the announcement was published that one of the three would be the spokesman, the second would rule the finances, and as for Morgan he would perform no active official duties.

The lot of the workers during this series of years was shown by an analysis of iron and steel production made by the Council for Industrial Progress and published on August 9, 1936. According to this analysis, labor-saving devices, mass production and other increases in operating efficiency, had not brought corresponding benefits in wages to the workers. From 1919 to 1929 the yearly productivity of each steel wage-earner rose from $2,873 to $3,718, while in the same period the average yearly wage increased only from $1,450 to $1,568. Taking the entire number of steel employees, unskilled as well as skilled, the average yearly wage stood at $683 in 1914 and $903 in 1933.

An affidavit made by Morgan in 1927 showed how completely he ruled his banking house. This affidavit containing a partnership compact was called forth by a tax appraisal of the estate of Edward R. Stettinius, who had been a member of the Morgan firm. In case of any dispute between the partners, it appeared from the partnership agreement, the matter was to be referred to Morgan whose decision was to be final. Also, Morgan could at any time compel any partner to withdraw at once from the firm upon written notice to that effect.

$30,000,000 COMMISSIONS ON WAR SUPPLIES

For many years Stettinius had been President of the Diamond Match Company, and, according to Morgan's affidavit, was induced during the World War to become head of the export department of J. P. Morgan & Company. In that capacity Stettinius had charge of the purchase of a great bulk of British war supplies in America. Before the U. S. Senate Committee Investigating the Munitions Industry, evidence was produced, on January 8, 1936, that during the World War the firm of J. P. Morgan & Company had obtained commissions of $30,000,000 through handling purchases of American munitions to the Allies.

A public statement was issued by J. P. Morgan & Company taking issue with the expressed belief that the interests of American business men and bankers were a chief factor causing America's entry into the World War. From the start of that war, the statement maintained, opinion throughout the entire American community was heavily in favor of the Allied cause, and President Woodrow Wilson advocated America's entrance only after repeated ineffectual protests against Germany's submarine outrages. These, and not bankers' loans to Allies, the statement held, were the propelling causes, although it agreed that in every great conflict the economic factor existed.

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[15] Ibid., I:77.

In the first stages of the World War, the statement went on, the buying of supplies by the Allies in America was extremely confusing and disorganized. That, realizing the waste, the British Government, on January 16, 1915, publicly announced an arrangement with J. P. Morgan & Company to handle the bulk of its buying in the American markets, and a few months later the French Government made an identical arrangement. The total purchases made by J. P. Morgan & Company for the Allies, said the statement further, reached $3,000,000,000, of which roughly two-thirds were for Great Britain. The commission on these sales paid to J. P. Morgan & Company, the statement added, approximated one per cent. Almost coincident with America's declaration of war against Germany, Stettinius notified the British and French Governments of J. P. Morgan & Company's desire to withdraw from the purchasing agency arrangements. The reason given was that "the United States Government could best handle the whole purchasing situation of the Allied Governments."

$6,000,000,000 IN SECURITIES HANDLED

The enormous financial transactions of J. P. Morgan & Company in post-World War years were shown by the evidence before the U. S. Senate Committee on Banking and Currency in an investigation conducted in 1933. Revolving credits were opened by that firm, in association with other bankers, for the aid of banks in England, Japan, Spain and Italy. The largest of these credits was one of $200,000,000 for the British Government. Commission charges on most of these operations were one per cent, but the firm of J. P. Morgan & Company individually obtained an additional one-quarter of one per cent for arranging the credits.[16]

A statement submitted on May 24, 1933, to the Senate Committee by George Whitney, a partner in the Morgan firm, showed: From January 1, 1919, to that date in 1933, the Morgan house, in conjunction with certain other bankers, had put out for sale to the public an aggregate of more than $6,000,000,000 in securities, of which more than $2,000,000,000 had been retired. The amount sold included loans to foreign governments and foreign corporations, American railroad bonds, public utility holding company and industrial company bonds and stock, and various other kinds of securities. This was a period of the organization of mergers—the consolidating of already big corporations into super-corporations—and in these operations J. P. Morgan & Company were a principal.

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[16] Stock Exchange Practices, Hearings before the Committee on Banking and Currency, U. S. Senate, 1933, Part I:250-252.

"CHARACTER" AS MANIFESTED

What were their methods as well as those of some other big New York City banking houses? We have seen how the first J. Pierpont Morgan, in his testimony before the Pujo Committee in 1912, sought to fix the impression that character was the great and prime consideration in his granting commercial credits. His son, in the affidavit in the Stettinius tax case, in 1927, declared that his firm was employed by customers "because of their confidence in the character, capacity for leadership, and the knowledge of financial affairs possessed by the individual members." Testimony in 1933 before the U. S. Senate Committee on Banking and Currency gave considerable enlightenment upon the quality of that character.

In flotations of stock issues J. P. Morgan & Company and an allied banking house had in prior years obligingly allowed "ground floor" or secret advantageous purchase of those stocks to a "preferred list" of individuals. "This 'preferred list,'" the Senate Committee reported, "included personages who at the time of the private offering held prominent governmental, political and corporate positions."[17] Thus confidentially permitted to buy stocks at a much lower price than stock market quotations, these select groups in the boom times before the smash late in 1929 obviously made their easy hauls of profit when the shares were rushed up to fancy prices. In that year and in the following years great numbers of people, as we have said, were ruined, and various small banks were forced to close their doors. But although shrinkage of values had affected holdings of J. P. Morgan & Company, that firm had enormous amounts of cash.

RESOURCES OF $344,000,000

A statement submitted by Morgan to the Senate Committee showed some of the extent of such resources—at least as the sum stood on March 24, 1933. The statement covered other banks than his own, and the distribution of deposits was wide, including many millions of dollars in the Bankers Trust Company, the Chase National Bank, the Central Hanover Bank and Trust Company, the Chemical Bank and Trust Company, the Corn Exchange Bank Trust Company, the First National Bank, the Guarantee Trust Company, the National City Bank, the Irving Trust Company, and other New York City banks, and various banks in Boston.[18] Until the U. S. Senate investigation in 1933, not even a partial statement of the condition of the Morgan firm had ever been made public. Under the terms of the Banking Act of 1933, J. P. Morgan & Company were required, in order to continue to receive deposits, to submit to examination either by the State authorities or by the Federal Reserve Bank. The first full and voluntary statement ever made and published by that firm was submitted to the New York State Banking Department, on June 15, 1934. It showed that two weeks before that date, the Morgan firm had resources of $344,251,627 and deposits amounting to $271,823,365.

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[17] Ibid., Report of the Committee (submitted by Senator Fletcher, June 6, 1934): 101.

[18] Ibid., Part I:129.

The master of this mass of cash professed a surprising lack of knowledge when, among other points, he was questioned, in 1933, as to income tax payments by the Senate Committee on Banking and Currency. He knew nothing of a reported loss of more than $21,000,000 (capital losses were deductible under the law) by this firm in business transactions in two days in 1931; he likewise did not know that income tax returns made in behalf of individual members of his firm had, on various occasions, been accepted without examination; he did not remember his income tax returns. He was asked: "You recall that according to your return you had no taxable income for that year?" He could not remember, nor could he recall whether he had paid income taxes for the years 1931 and 1932. Counsel for the Committee reminded Morgan that testimony had showed that the 20 members of his firm were holders of 167 Directorates in a swarm of corporations. Counsel further inquired whether Morgan knew that the aggregate amount of income taxes paid by these members in 1930 was about $47,000 or $48,000, and that the amount paid by them in 1931 was zero. Morgan did not know.

Evidently he had to call upon his office force for the preparation of a statement which he later submitted. Partners in his firm, this declared, had paid upwards of $51,000,000 in income taxes from 1917 to 1929, and in the years 1930, 1931, and 1932 capital losses had been such as to wipe out income, leaving nothing taxable. However, when queried about the English income-tax law, Morgan revealed the most precise knowledge of its requirements and of his payments under it.[19] And if there further was any one thing about which he manifested knowledge in the rare public interviews he vouchsafed, it was his passion for grouse shooting in Scotland, a subject which aroused his enthusiasm and descriptive fervor. Whatever had been the pros and cons of his income tax obligations, he at least has not been one of the many rich Americans who are establishing estates in the Bahama Islands where there is no income tax law.

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[19] Ibid., Part I: 47-49; 199-200; Part II: 879.

Chapter XXV

THE ELKINS FORTUNE

As an illustration of the means by which multimillionaire fortunes were obtained by the private securing of great areas of land which had been public domain, the career of Stephen B. Elkins had a significant place in this history. The wealth thus derived elevated him a generation or more ago into a position as one of the most powerful politicians in the country; he was one of the active ruling spirits in the United States Senate; the State of West Virginia was virtually his province, not only politically, but to a considerable extent economically; coal mines and other material resources there were largely his personal property, as were some traction companies, railroads, banks and various other individual possessions. He was the great lord of wealth whose word was law in West Virginia; and if he and his power passed away, the methods by which he was able to transfer to his ownership so immense a stretch of land, remains a subject of most vital interest. In fact, as time recedes, it becomes increasingly so, for the circumstances under which vast properties were acquired become more and more obscured; records are forgotten in the vortex of Time; and unless resuscitated for the enlightenment of future generations, there results a lack of information and a wonderment as to how huge areas, the ownership of which was once vested in the whole people, became the domains of individuals. Essentially for this reason the narrative of Elkin's activities is of unquestionable and lasting historical importance.

After he had enrolled himself in the multimillionaire class Elkins was represented as wholly "the architect of his own fortune." What were the species and style of his architecture? According to the routine biographies, ordinarily paid for at advertising rates, his was the memorable career of a poor boy rising to great wealth by hard work, application and superior ability. But official documents had a very different tale to tell; and while they did not explain how Elkins obtained all of his millions, they give enough vivid details of the methods by which he first became a millionaire.

As a young man, Elkins was repeatedly accused of being one of Quantrell's band of marauders during the Civil War, as to which charge no proof can be found in the records. After the Civil War he went to New Mexico. There he studied Spanish and became a member of the Territorial Legislature. His enemies, both partisan and personal, brought the accusation against him that he was the originator and ringleader of the immense land frauds current in New Mexico. This particular charge was both unjust and false. Long before Elkins drifted into the Southwest the land frauds were notorious; what he and others did after the Civil War was nothing more than a continuation of what had been going on for many years.

It is characteristic of the way in which American history has been written that not a line can be found of the gigantic frauds by which tens of millions of acres of land were expropriated in the Southwest and in the Pacific States after the Mexican War, although court records and other official documents relate enough details to make an extended work by themselves. Earlier in this book a brief summary of these colossal frauds was presented, with the explanation that further facts would be more fully set forth in this chapter.

Under the Mexican colonization laws no individual was entitled to, or could claim, more than forty-eight thousand acres. The Mexican authority in California was overthrown by the American forces on July 7, 1846, and elsewhere at about the same time. When it was evident that the Mexican power was about to pass away, Pio Pico, the Mexican Acting Governor of California, at once began to issue fraudulent grants of land, which, the court records indicate, were given for bribes. Most of these grants were presented in May, 1846. Numerous other land grants, alleged to have been given by him at the same time were forgeries. The Supreme Court of the United States found some of them so when the Government later contested their validity. The Mexican governors corruptly gave some land grants, while many other grants were forged, with the signatures of the Mexican governors.

GREAT LAND FRAUDS FOLLOWING THE MEXICAN WAR

When the Mexican war was over, American capitalists bought from the Mexican holders large numbers of the land grants covering many millions of acres of the very best and richest agricultural, grazing, mining or timber land in California, New Mexico, Colorado, Arizona and other sections. In fact, some of these alleged grants comprised large portions of the populous cities and towns. The American capitalists then made application to the United States Government to have the grants confirmed. In nearly every case the Government denounced the grants as forged and otherwise fraudulent, and refused. The claims were then taken to the courts.

One individual, Henry Cambuston, claimed eleven square leagues of pasture land on the Sacramento River, as having been granted by Acting Governor Pico on May 23, 1846. The California courts decided in his favor. These local courts throughout California and other portions of the West seem to have been in collusion with the land grabbers, and were often composed of judges who were themselves interested in land-grabbing operations. The Government carried the Cambuston case to the Supreme Court of the United States, asserting that the purported grant was fraudulent and forged. The Supreme Court of the United

States, in December, 1857, handed down a decision expressing doubts of the genuineness of the grant, the reversing the decree of the California courts.[1]

Another claimant, Fuentes, had the assurance to carry his claim to eleven leagues of California territory to the Supreme Court of the United States. In his argument before this court in December, 1859, United States Attorney General Black denounced the claim as "fraudulent and spurious, a base and impudent forgery." [2] "It is not at all difficult to see," Attorney General Black continued, "how and when this grant was fabricated. It is in the handwriting of Manuel Castro, a part of those business consisted in forging land grants." This particular grant, Black stated, was dated Monterey, June 12, 1843, but it had been forged in Mexico City in 1850. "There are several other grants in Manuel Castro's handwriting," Black added.[3] The Supreme Court of the United States found the grant at issue to be fraudulent, and voided it.[4]

James R. Bolton turned up with a claim to ten thousand acres of land in the vicinity of San Francisco—a claim worth, at a low estimate, in 1851, more than two million dollars.[5] The grant was one purporting to have been made to Santillan, a priest, by Pio Pico, on February 10, 1846. Bolton had his claim confirmed by the courts in California on the ground that it was valid, and that he had bought it from Santillan in April, 1850, for $200,000. The Supreme Court of the United States could not be convinced of the validity of the grant and dismissed the claim.[6] Another particularly flagrant case was that of the claim of Juan M. Luco and Jose Leandro Luco to 270,000 acres in California. They claimed that this alleged grant was made on December 4, 1845, by Acting Governor Pio Pico to one Jose de la Rosa, from whom they swore they purchased it. The Supreme Court of the United States, in December, 1859, found that the documents were forged. "Its confirmation," said this court's decision of the grant, "was vigorously opposed by the counsel for the Government. They [the Government's counsel] allege that the documents produced to support the claim were forgeries, supported by perjuries of persons who had conspired to defraud the Government of an immense body of valuable land. . . . The whole of the testimony is beyond doubt a mere fabrication. . . . In conclusion we must say, that after a careful examination of the testimony, we entertain no doubt that the title produced by the claimants is false and forged."[7]

A claimant, one White, claimed a large tract of land in California under a grant alleged to have been made to Antonio Ortega. The Supreme Court of the United States in December, 1863, found that the grant was fraudulent and forged, and that the evidence was perjury.[8] In the case of Andres Pico against the United States for the possession of eleven square leagues of land in California, the Supreme Court of the United States decided that the grant alleged to have been made by Acting Governor Pio Pico on June 6, 1846, was fraudulent and that the documents were forged.[9]

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[1] Cambuston vs. United States, Howard's Reports, Supreme Court of the United States, xx:59-65.

[2] Howard's Reports, Supreme Court of the United States, xxii:448.

[3] Howard's Reports, etc., xxii:450.

[4] Ibid., 443-461.

[5] Howard's Reports, etc. xxiii:343.

[6] Ibid., 353.

[7] Howard's Reports, Supreme Court of the United States, xxiii:515-543

LARGE ESTATES SECURED BY FORGERY AND PERJURY

These were a few of the thirty-six private land claims rejected by the Supreme Court of the United States up to 1869. They were crude forgeries and the cases were not skilfully prepared. But thirty-three other claims were confirmed. Most of these were fully as fraudulent as those rejected, but the work of forgery was so cleverly done, and bought witnesses, well trained in the art of giving testimony, gave such corroborative evidence, that the majority of the Supreme Court of the United States declared that it found itself in a position where it could find no grounds upon which to dismiss the claims. Numbers of these grants embraced gold and silver mines and valuable timber lands, as well as agricultural tracts.

An example of this successful imposture was the case of Hornsby vs. the United States. Hornsby claimed that Acting Governor Pico on May 6, 1846, had granted 40,000 acres of land in California to Jose Roland, from whom Hornsby testified that he bought the claim. The majority of the Supreme Court of the United States, in December, 1869, confirmed the grant on the ground that the title was possessed at the time California was admitted to the Union. But Justices Davis, Clifford and Swayne in a dissenting opinion said:

> . . . The Mexican authority was overthrown in California on July 7, 1846, but the history of the times made it clear to every intelligent man for a considerable period before this date that the country would pass to the jurisdiction of the United States. During this period grants of land were made very freely by Pio Pico, the Acting Governor, and the records of this court show that many of the grants were invalid and fraudulent. Doubtless, grants were made by him within that time which were valid, but all must agree that every grant which bears his signature should be examined with the most careful scrutiny. By the record in this case, it appears that the petition for this grant is dated May 5, 1846, and the grant if any was made, was on the following day, and did not comply with the requirements of the law conferring power on the Governor of California to grant lands. . . .
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> No possession of any kind is proved in this case, and the authenticity of this grant, covering an area of over forty thousand acres of land, depends upon the testimony of a single witness, unsupported by any proof, except the imperfect or mutilated expidiente, found among a mass of loose papers on the

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[8] Wallace's Reports, Supreme Court of the United States, i:660-682.

[9] Wallace's Reports, Supreme Court of the United States, ii:279-282.

floor of one of the rooms of the custom house at Monterey after the Mexican officials had fled on the approach of our forces.[10]

The Congressional committee reports of the period are likewise full of evidences of the prevailing frauds.

AN ORGANIZED SYSTEM OF FRAUD

In his report to Congress in 1860, United States Attorney-General Black described how he had ordered the Mexican archives to be collected, and he gave the results of that investigation.

"The archives thus collected," he wrote,

> furnished irresistible proof that there had been an organized system of fabricating land titles carried on for a long time in California by Mexican officials; that forgery and perjury had been reduced to a regular occupation; that the making of false grants, with the subornation of false witnesses to prove them, had become a trade and a business. . . . There was also compiled from the records here a faithful chart of all of the professional witnesses or persons supposed to have hired themselves out to do the business of false swearing of claims. Today full biographies of nearly all of the men who have been engaged in these schemes of imposture, from governors down to the lowest suborned witnesses, can now be furnished whenever necessary.

Attorney-General Black set forth further:

> It must be remembered that the grants in most of these fraudulent cases were very skilfully got up, and were supported by the positive oaths, not merely of obscure men whose characters were presumed to be fair, but also by the testimony of distinguished men, who had occupied high social and political places under the former governors. Their honesty in many cases was never suspected until after the records were brought to Washington. They [the fraudulent land claims] passed through two lower tribunals, some of them without being questioned, and nearly all of them without successful opposition. . . . The value of the lands claimed under grants ascertained to be forged is $150,000,000. . . . It is vain to look for public morality under a government which fails to distinguish between honest titles and fraudulent claims.[11]

Reporting on February 24, 1869, on the claim of William McGarrahan to a large land grant in California including vast rich mines, alleged to have been granted by Acting Governor Pico to Vincent P. Gomez and sold to McGarrahan, the House Committee on Claims wrote:

> . . . Gomez, Abrego and Moreno [the secretary of Acting Governor Pico] are suitable associates. They are equally notorious for the forgeries and perjuries in which they have been concerned. Gomez and Abrego were the chief

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[10] Wallace's Reports, Supreme Court of the United States, x:224-245.

[11] Ex-Doc. No. 84, Thirty-six Congress. Also, House Reports, Third Session, Fortieth Congress, Report No. 261:544.

instruments in the false swearing in the great Limantour swindle that attracted so much public attention some years ago. Ex-Secretary Stanton visited California in 1858 in behalf of the United States in connection with land cases, and then found that Abrego had been a witness to support thirty-two, and Gomez, twelve, claims, most of which ascertained to be frauds or forgeries.[12]

The committee went on to say that "many of the towns and cities of California are covered by these rejected claims, and if Congress is to readjudicate and reverse one case on ex parte evidence, then the other thirty-five will be resurrected, and an army of land sharks, lobby agents and lying witnesses will invade the Capitol and defile the halls of legislation with their schemes of forgery and perjury." The committee referred to "a bagful of the affidavits of drunken and venal Mexicans who can be hired for five dollars apiece to swear to anything." [13] It said that dependent upon the passage of the McGarrahan bill, was a prize of more than $500,000, and that "politicians lawyers, and editors have taken large shares in the lottery; the professional lobby, both male and female, have been marshaled behind and around McGarrahan. The crowd is impatient of delay, and hungry for the spoils of victory." [14]

CORRUPTION OF CONGRESS AND THE COURTS

The national Capitol was not only filled with lobbyists for these landgrabbers, but members of Congress were financially interested in the success of the fraudulent claims, or themselves held claims in the names of dummies. It was also strongly suspected, although never proved, that at least one Justice of the Supreme Court of the United States, appointed during the Civil War,—and the very one whose vote often decided the fate of the claims—was interested, either financially, politically or by friendly connection with certain of the land claimants. As we have seen in other chapters, it was no unusual matter for the highest judiciary, as well as the lowest, to hold stock or other evidences of property in corporations or enterprises, cases affecting which were decided by those very judges or their associates. These decisions would then take rank as precedents, to be cited in future cases.

But the courts were not the sole reliance of the land grabbers and other plunderers. It was Congress that they usually depended upon for the confirmation of their schemes. A confirming act passed by Congress was considered as law strictly binding upon the courts, and it was to be generally expected that the courts would construe the acts of Congress with the closest technicality. Thus it was, to mention only one instance of many instances, that Marshall O. Roberts and his partners succeeded in mulcting the United States Treasury out of millions of dollars by lobbying an act through Congress so adroitly worded that, after the Court of Claims had dismissed the claim, the Supreme Court of the United States decided, upon technical grounds, that the act of Congress amounted to a ratification of their claim.[15]

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[12] Report No. 261, etc., 1869:535. In one case especially, Gomez had been convicted by the Supreme Court of the United States of swearing to a false date. See Wallace's Reports, Supreme Court of the United States, vi:589.

[13] Ibid., 543.

[14] Rep. No. 261, etc., 545. See also U. S. Senate Miscellanies, Third Session, Forty-fifth Congress, "Private Land Claims," Vol. iv.

Beginning by about the year 1860, Congress was "induced" to confirm one private land claim after another. The reports of a number of the Congressional Committees on Private Land Claims strongly suggest bribery, but no positive, specific proof appears. Very often these measures were passed in the hurry and confusion of the last days of a session, with few members knowing what they were.

After the passage of these acts by Congress, the next step was to have a fraudulent survey of the alleged grants made by land office officials. In order to make these fraudulent surveys under form of law, the land-grabbers lobbied two acts through Congress. One act, passed in 1860, authorized surveys to be made at the expense of "settlers." This meant that capitalists were virtually allowed to hire Government surveyors, and arrange with them to increase fraudulently the boundaries of the alleged grants. This is precisely what happened, as is shown in the numerous official reports cited heretofore in this book. Another act, passed by Congress in 1871, provided that the amounts deposited by settlers should be applied as part payment for the lands surveyed. The plain meaning of this act was that the money paid by the land-grabber for fraudulent surveying was held to be a payment for the lands, and in law was technically equivalent to a virtual confirmation of his claim. By means of these fraudulent surveys, corruptly arranged for, dozens of grants of a few thousand acres each were enlarged so as each to embrace hundreds of thousands, and in some instances, millions of acres.[16]

LITTLE OPPORTUNITY FOR THE POOR SETTLER

The colossal private claim land frauds were by no means confined to California. They went on in New Mexico, Colorado, Arizona and other States and Territories. The poor settler had very little opportunity to secure land. Almost wherever he appeared he was confronted by the capitalists who claimed vast stretches of land—agricultural, grazing, mineral and timber. So scandalous was this condition that Secretary of the Interior Thompson, in a report dated December 11, 1859, to President Buchanan, commented:

> The advantages and profits arising from the settlement of a new country ought to be enjoyed by the early settlers. They have peculiar hardships and privations to undergo. The law does not contemplate that they shall have any competition, except from other actual settlers, in selecting the most fertile lands and the choicest locations. . . . There is reason to believe that the

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[15] See Chapter iii, Vol. ii, of this work.

[16] Many specific examples have been described in a prior chapter of this book.

withholding of public lands from a public offering, and consequently from private entry, has often proved a temptation to fraud and an inducement to perjury; and unscrupulous speculators profit by it more than any other class.[17]

Aside from its recognized value as a grazing country, New Mexico was well known to be rich in mineral resources. Acting-Governor W. W. H. Davis, of New Mexico, reported to the Secretary of the Interior on September 10, 1857, that New Mexico's mineral wealth had been long known, and he drew a fascinating picture of its rich deposits. "That the country is rich in the precious metals," he wrote, "there can be no doubt. There is good reason to believe that ores of silver occur in all of the ranges of the mountains bordering the Rio Grande, from the boundary line on the south to the extreme north of the Territory." Abandoned mines, he added, were very numerous. Hardly a mountain range in the whole country did not disclose evidence of the presence of precious metals. There were gold ores and copper in abundance, and thick deposits of bituminous coal.[18]

A LAND GRANT GROWS FROM 96,000 TO NEARLY 2,000,000 ACRES

One of the private Mexican land claims was that of Charles Beaubien and Guadalupe Miranda. They claimed that the Mexican Governor Armijo had made them a grant on February 22, 1841. On September 15, 1857, the United States Surveyor General of New Mexico reported the grant to Congress as embracing 96,000 acres. Congress confirmed it on June 21, 1860. One L. B. Maxwell had bought the claim from Beaubien and Miranda, and in 1869 he applied to the General Land Office for a survey, claiming that the grant comprised about two million acres, partly in Colorado, but mainly in New Mexico.

The Commissioner of the General Land Office freely expressed his amazement at the audacity of this claim. He reported that the claim was an impossible one; that the Mexican colonization laws had limited the area granted to any one individual at 48,000 acres, and that in confirming the grant, Congress had confirmed it to the extent of 96,000 acres only—48,000 acres to Beaubien and Miranda each. This decision of the Land Commissioner was upheld by Secretary of the Interior Cox.[19]

The Maxwell Land Grant & Railroad Company was then incorporated to push and exploit the grant. This company, in 1871, renewed the application for a survey and a patent under the claim as put forth by Maxwell in 1869. Secretary of the Interior Delano refused the application, declaring that the decision of Secretary Cox in 1869 was final as to the extent of the grant—96,000 acres—so far as the executive departments of the Government were concerned.[20]

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[17] United States Senate Executive Documents, First Session, Thirty-sixth Congress, 1859-60, 1:94.

[18] Executive Documents, First Session, Thirty-fifth Congress 1857-58, Vol. ii, Doc. No. 2:286-288.

[19] "Land Titles in New Mexico and Colorado," House Reports, First Session, Fifty-second Congress, 1891-92, Vol. iv, Report No. 1253 (Committee on Private Land Claims).

The Government officials at Washington were irritated at the persistence of the claimants and their refusal to comply with the law. On January 28, 1874, the Commissioner of Public Lands ordered the Surveyor General of New Mexico to treat the whole of the grant as public lands, inasmuch as the claimants refused to obey the terms of the decision of the Department of the Interior.

ELKINS BECOMES A PRINCIPAL OWNER

Why did the claimants decline to comply with the law? Because, as the sequel showed, the foremost United States Territorial officials in New Mexico were in collusion with them. Despite the order of the Department of the Interior, which was law, the Territorial officials continued to assess the alleged grant as private property for taxes. The taxes, by prearrangement, went unpaid, and a tax sale was held at public auction in January, 1877, and the grant was sold for an alleged tax debt. The nominal purchaser was M. W. Mills, a member of the New Mexico Legislature. Mills transferred the alleged tax title to T. B. Catron, United States District Attorney for New Mexico. Shortly afterward it was revealed that Stephen B. Elkins was the real party behind the whole transaction, and that he was the chief owner of the alleged title.[21]

Elkins had long been a powerful Republican politician in New Mexico. During President Grant's administration he had been United States District Attorney in that territory. At that time the peonage system of slavery was widespread in New Mexico, as it long was in Mexico. The laborer who fell in debt to his employer could not quit employment until the indebtedness was first discharged. This resulted in the worker's practical slavery. Under the United States laws the Government paid a fee of $25 for each conviction of persons charged with violating the peonage statutes of the United States. Elkins, it was said, procured the indictment of thousands of Mexican violators of this law, convicted them, or compromised the cases, and, thus was enabled to pocket the fee of $25 in each case.

He was then elected a delegate to Congress from New Mexico, and it was during this time that he got hold of the Maxwell land grant and pushed it in Congress. The records of the General Land Office, of January 28, 1874, show that Stephen B. Elkins was interested in having this alleged grant surveyed; he was at that very time in Congress. Immediately after the tax sale had been held, the Maxwell Land Grant & Railway Company made, in 1877, another application to the General Land Office for a survey and patent. This time there was no opposition from the Government officials at Washington. Matters moved with extraordinary smoothness.

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[20] United States Reports, Vol. cxxi: 326.

[21] House Reports, etc., 1891-92, Vol. iv, Report No. 1253. Commissioner Sparks of the General Land Office, reported in 1885, that Stephen B. Elkins was a principal owner of the grant at the time Elkins' brother and Marmon made the official survey.

The General Land Office ordered a survey. Who did the surveying? One of the two surveyors was Elkins' brother, John T. Elkins. On August 15, 1877, the United States Surveyor-General in New Mexico entered into a contract with John T. Elkins and Robert T. Marmon for the execution of the survey. Their bondsmen were Stephen B. Elkins and James L. Johnson.[22] These surveyors reported the grant as embracing, in all, 1,714,764.94 acres. As reported by them, it comprised the finest lands in New Mexico, watered by the Rio Grande River with its numerous tributaries; towns and cities and villages; mountains filled with minerals; it took in a large range of the Raton Mountains with their rich gold and silver and coal deposits and timber lands; and extended far into Colorado, where it covered vast tracts of land. The General Land Office, on May 19, 1879, gave a patent, in the form of a quit-claim, for the whole of the 1,714,764.94 acres claimed in the survey.

Meanwhile, the grant had been mortgaged to a syndicate of Holland capitalists for the sum of £700,000 in sterling money and Dutch currency.[23] To their consternation, they soon found that they had a bitter lawsuit on their hands.

They had been entirely unaware of the fact that the Government challenged the validity of the grant.

THE GOVERNMENT CHARGES FRAUD

The Government brought an action to have the grant declared void. On August 25, 1882, it sued the Maxwell Land Grant Company, the Denver & Rio Grande Railway Company, the Atchison, Topeka & Santa Fe Railway Company and the Pueblo & Arkansas Valley Railroad Company. The Government's bill of complaint, the court record reads, "charged that the survey on which this patent was issued was falsely and fraudulently made, and that the Maxwell Land Grant Company and certain parties who made this survey under a contract with the Government, conspired to cheat the Government of the United States by including a larger amount of land than was intended to be embraced by the original grant of the Republic of Mexico; and it especially charged that about 265,000 acres, to wit, all the land lying in the county of Las Animas, in the state of Colorado, were fraudulently included in this survey and were of the value of two millions of dollars." [24]

The United States Circuit Court of Colorado dismissed the Government's suit, as was expected, for it was notorious that the railroad and land-seizing interests largely controlled such courts, some of the judges of which had been attorneys for those identical interests. The Government carried the case to the Supreme Court of the United States. In the argument before this court on March 8, 9, 10 and 11, 1887, the Government contended:

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[22] House Reports, etc., 1891-92, Vol. iv, Report No. 1253.

[23] Ibid., 7.

[24] Supreme Court Reports, vii:1017.

First—That the grant of the Republic of Mexico could not, under the Mexican laws, exceed altogether twenty-two square leagues, equivalent to 97,424.8 acres of land.

Second—That the report of September 15, 1857, of the Surveyor-General of New Mexico, recommended the grant for confirmation for no greater extent of land than twenty-two square leagues.

Third—That the confirmatory act of June 21, 1860, did not operate as a grant de novo, or new grant, for the land in excess of twenty-two square leagues.

Fourth—That the survey under which the patent was issued, and the patent itself, included, in addition to the twenty-two square leagues, many hundred thousand acres not included in the grant as confirmed, and also several hundred thousand acres (about 400,000) lying upon the outside of the eastern and northern boundaries, also not included in the confirmed grant.

Fifth—That the patent was issued by officers of the Land Department to include the million six hundred thousand excess acres because "of the frauds and deceits practiced upon the Commissioner of the General Land Office and his agents, and by Surveyor-General Spencer, and the deputy United States surveyors, Elkins and Marmon, in the interest of such owners."[25]

In his argument United States Assistant Attorney-General Maury said: . . . "Being a Mexican grant in the beginning and subject to the laws and customs of Mexico, it is for this court to determine whether there exists any authorized process of evolution, by which this original Mexican grant of twenty-two square leagues to Beaubien and Miranda have grown and expanded into the princely domain covered by this patent."[26] Maury contended that fraud had been abundantly proved. J. A. Bentley, special counsel for the Government, submitting a long brief arguing that frauds were practised upon the Government in the enlargement of the boundaries of the grant, and he also argued that the decision of Secretary of the Interior Cox, in 1869, was final.

THE SUPREME COURT'S DECISION

Piles upon piles of proofs that the grossest frauds had been committed could not convince the Supreme Court of the United States. In its decision of April 18, 1887, it held that the act of June 21, 1860, was virtually a new grant, and that it confirmed the grant to the full extent of the

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[25] United States Reports, Vol. cxxi:327.

[26] Ibid., 330.

1,714,764.94 acres claimed—a decision received with the utmost amazement by the whole country.

With this decision in hand the Maxwell grant holders proceeded to evict settlers right and left. This raised a great storm. The settlers on the grant organized and appointed O. P. McMains their agent to present their petition for redress to Congress. In an affidavit dated May 9, 1892, McMains, on behalf of the settlers, charged the different United States authorities, such as Secretary of the Interior Noble, Land Commissioner Carter, (later a United States Senator from Montana) and other officials with refusing to throw open the grant as public lands. This refusal, the affidavit pointed out, was in violation of the explicit act of Congress of June 21, 1860. The affidavit read on:

> And the deponent further deposes and says that S. B. Elkins was the last president of the Maxwell Land Grant and Railway Company, which was bankrupt at the time of his resignation in 1875; that after 1875 the said S. B. Elkins had no connection with the said Company as officer or counsel, and took no part in the company's affairs; that he was, nevertheless, interested as an outsider and speculator in having the land required by law to be treated as public land, again treated and surveyed as the alleged Beaubien and Miranda or Maxwell grant, and made a trip to Europe in the latter part of 1875-76 with a scheme in view for the reorganization of the Maxwell Land Grant Company.
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> That T. B. Catron of New Mexico, who was interested with Elkins in having the land required by law to be treated as public land, again treated and surveyed as the alleged Maxwell grant, became, on July 19, 1877, by an unlawful and fraudulent tax title deed, an alleged owner of nearly 2,000,000 acres of public land as the so-called Beaubien and Miranda or Maxwell grant; that in order to profit by the unlawful tax title deed to public land as the alleged Maxwell grant, it became necessary to defeat the enforcement of the final and valid order of the Department of the Interior of January 28, 1874, requiring the lands claimed by the Maxwell grant claimants to be treated as public land, by prosecuting anew the adjudicated Maxwell grant claim against the United States to survey and patent;
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> That the parties conspiring to prosecute said adjudicated claim against the United States, in violation of Section 5498 of the Revised Statutes, were Hon. S. B. Elkins, then delegate to Congress from New Mexico; Hon. T. B. Catron, then United States Attorney for New Mexico, and Hon. J. A. Williamson, then Commissioner of the General Land Office; that the object of said conspiracy was accomplished, the enforcement of the valid order of January 28, 1874, and the act of Congress of June 21, 1860, was defeated, homestead and preëmption settlers were deprived of their private and vested rights without due process of law and the United States deprived of its surveyed public lands.[27]

The affidavit went on to say that "the refusal of the officials to enforce the act of Congress is in the interest of the aforesaid conspiracy;

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[27] House Reports, First Session, Fifty-second Congress, 1891-92, Vol. vii, Report No. 1824:4-5.

that by such wrongful refusal said secretary and commissioner are aiding and abetting, by trick and fraud, the said conspiracy." [28]

The House Committee on Private Land Claims, to whom the petition of the settlers was referred, found that the statements regarding the New Mexican portion of the grant were true. As to the 400,000 acres in Colorado, the committee reported:

"No application by the Maxwell Land Grant Railway Company has been made to the Commissioner of the General Land Office for the survey of public land in Colorado in 1877 as a portion of the alleged Maxwell grant; but a party who is in nowise connected with the company or acting in any capacity in behalf of the company—Hon. S. B. Elkins—did ask for a survey to be approved"—that would include public lands in Colorado as belonging to the Maxwell grant. It was after this survey that the whole of the 1,714,764.94 acres were mortgaged to Dutch capitalists for £700,000. This land in Colorado, the committee stated, was unlawfully appropriated. The committee concluded: "And it is the opinion of your committee that the lands included within the Colorado portion of the alleged Maxwell grant were required, by act of June 21, 1860, to be treated as public land . . . and was not a portion of the original Beaubien and Miranda grant." [29]

SURVEYOR GENERAL JULIAN STATES THE CASE

Congress took no action on the report of the House Committee on Private Land Claims, and the result of this complete inactivity, coupled with the decision of the Supreme Court of the United States, was that the appropriators, or their assignees, of the 1,714,764.94 acres, were allowed to retain a possession which thereafter was undisputed. George W. Julian, United States Surveyor General of New Mexico, during President Cleveland's first administration, found a state of affairs in that territory, which, in recounting Elkins' career, he described in a speech, on September 14, 1892, before the Hendricks Club at Indianapolis. After relating some of Elkins' early transactions in New Mexico, Julian said:

> This experience amply prepared him for the brilliant ventures in real estate through which he became rich. His dealings were mainly in Spanish grants, which he bought for a very small price from their Mexican claimants or their grantees. The boundaries of these grants were vague and uncertain, and their definite settlement had to be determined by the Surveyor General of the Territory, subject to the final action of Congress. Elkins became a member of the land ring of the territory, and largely through his influence the survey of these grants was made to contain hundreds of thousands of acres that did not belong to them. He thus became a great landholder, for through

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[28] House Reports, No. 1824, etc., 1891-92:5.

[29] "Land Titles in New Mexico and Colorado," House Reports, First Session, Fifty-second Congress, 1891-92, Vol. iv, Report No. 1253:8.

the manipulation of committees in Congress grants thus illegally surveyed were confirmed with their fictitious boundaries.

He made himself particularly conspicuous as the hero of the famous Maxwell grant, which, as Secretary Cox decided in 1869, contained only twenty-two square leagues, or about 96,000 acres, but which, under the manipulation of Elkins, was surveyed and patented for 1,714,764.94 acres, or nearly 2,680 square miles. Congress, through the action of its committees, was beguiled into the confirmation of the grant, with the exterior boundaries vaguely indicated in it so stretched as to cover the whole of this immense area, and which confirmation by Congress compelled the Supreme Court to recognize this astounding robbery as valid. By such methods as these more than 10,000,000 acres of the public domain in New Mexico have become the spoil of land-grabbers, and the ringleader in this game of spoliation was Stephen B. Elkins, the confederate of Stephen W. Dorsey and the master spirit in the movement.

He was thoroughly qualified for his work. He was irrepressible and full of resources. He was a genius in business, and in the pursuit of his ends was singularly unshackled by a conscience. He used the Surveyor General of the Territory, the Land Department in Washington, and the committees of Congress as his instruments in fleecing poor settlers and robbing the Government of its lands. To cheat a man out of his home is justly regarded as a crime second only to murder, and to rob the nation of its public domain and thus abridge the opportunity of landless men to acquire homes is not only a crime against society, but a cruel mockery of the poor. If any such considerations ever disturbed the dreams of Mr. Elkins, they were summarily silenced by his overmastering zeal in the work of "practical politics." According to Dorsey, Elkins knew more than any other person about the star route cases, which became famous a dozen years ago, and he will also be remembered as engaged in the prosecution of a claim of $50,000,000 against Brazil while Blaine was Secretary of State under Garfield, which claim was afterward indignantly rejected by Secretary Bayard. . . .

In referring to these matters I do not speak at random, but from official documents, and ascertained facts with which I became familiar during my public service of four years in that territory under the last administration.

The "star route" frauds to which Julian referred became a great public scandal sixty years ago. By means of them the United States Treasury was robbed of large sums. The term "star route" was used to designate interior postal routes, on which the mails were carried other than on railroads or by steamboats. These routes were officially designated on the books of the Postoffice Department by asterisks or stars, thus *, hence the term. The investigations made by the Postoffice Department and by committees of Congress did not reveal Elkins as a contractor. His signature, however, was found attached to the bonds of certain leading postal route contractors in the Southwest, and he was very energetic in securing the establishment of overland routes in New Mexico and elsewhere. It was conclusively established that he was interested in what was called the "Kerens combination," the ostensible head of which was Richard C. Kerens, a powerful Republican politician of St. Louis.

But so astutely and covertly did Elkins work that he did not appear at all in the great "star route" trials in 1882 and in 1883.[30]

ELKINS GETS THE STAMP OF OFFICIAL RESPECTABILITY

By this time he was a noted Republican politician of national importance. In 1884 he was chairman of the Republican National Committee and in December, 1891, President Harrison appointed him Secretary of War. Harrison was not ignorant of the details of Elkins' career in New Mexico, for while a United States Senator, Harrison was a member of the Committee on Territories, and gave particular attention to the affairs in New Mexico.

Harrison was likewise acquainted with the facts of the Brazilian claim. This was an alleged claim growing out of a concession to one D. G. M. Jewett by the Brazilian Government to develop certain nitrate deposits on an island off the Brazilian coast. Jewett claimed that he had fitted out a vessel and had expended $27,000 when the Brazilian Government annulled the concession. Elkins became attorney for Jewett and filed an elaborate brief in the State Department in support of the claim, and calling for the enormous sum of $50,000,000 damages. Elkins tried to get successive United States Secretaries of State to press the claim, but Secretary Bayard fully investigated it in 1886, and President Cleveland sent the correspondence to the Senate, with a special message which closed as follows: "Such an egregious claim is an outrage upon any nation with which the United States has or desires to have friendly relations. I have declined to receive the papers or send any communication to Minister Jarvis on the subject."

The Maxwell land grant, and the star-route affair were only two of Elkins' many transactions in New Mexico. Meanwhile, he had married the daughter of United States Senator Henry G. Davis, a millionaire railroad and coal mine owner of West Virginia. Elkins removed to that State. With the millions gathered in the Southwest, and with the help of his father-in-law's many millions, he there became a great magnate. He, Kerens and Davis built several West Virginia railroads, and obtained control of coal, coke, oil and lumber properties. They also financed the construction of railroads in California, Nevada and Utah. Elkins built a splendid castle-like palace in the town bearing his name; on a mountainside it commanded a view of peaks and valleys for thirty-five miles. In 1895 he was elected to the United States Senate by the West Virginia

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[30] The charge was long openly made that the reason why Elkins was not brought to trial was that he had secretly turned State's evidence, and had furnished the Postmaster General with much valuable information against his former associates. So far as the public records are concerned, no documentary proof of this charge can be found.

Kerens, it may be noted, continued his career as a conspicuous Republican politician and was appointed Ambassador to Austria by President Taft, in 1909.

Legislature, after a campaign in which, it was freely charged, corruption money, in the form of campaign funds, was distributed throughout the entire State to insure the election of members favorable to his plans. In the United States Senate Elkins was one of the most adroit and useful law-drafters for the plutocracy. One of his notable acts was an amendment to the interstate commerce act expunging the clause providing imprisonment for violation of the anti-rebating law, and giving complete immunity to magnates who testify in such proceedings brought against them.

As one of the wealth rulers and law makers of the United States, Elkins was obviously a very powerful and distinguished magnate. Moralizers could well contemplate his career, and consider its climax. He died in January, 1911. Dissatisfied with the terms of his will, which gave a certain share to her and equal shares of the large estate to each of his seven children including the two daughters of an earlier marriage, his widow renounced the provisions made for her in the will, and insisted upon her dower rights. Under West Virginia law these gave her one-third of the property, both real and personal. She thus obtained, it was estimated, between $6,000,000 and $8,000,000 while each of the children inherited approximately $2,000,000. Davis Elkins, one of Stephen B. Elkins sons, became a United States Senator.

Chapter XXVI

The Hill Fortune

UNSPARINGLY criticised, and frequently assailed with extreme bitterness in his early career, few magnates were the subject of more lavish eulogy in his latter years than James J. Hill. As his wealth and power rapidly grew, and he became a multimillionaire, and dictator of the political and industrial affairs of large sections of the United States and Canada, the usual transformation resulted. He ceased being the familiar "Jim" Hill derisively slurred as the "Jay Gould of the Northwest," and was metamorphosed into the great Mr. Hill, the imposing genius of stupendous achievement. A crowd of writers, well schooled in the extravagant language of sycophancy, came forth to proclaim his heroic proportions as a master mind in the constructive development of the country's resources.

For full thirty years these eulogies, all suspiciously alike as though inspired from a central source, continuously appeared. In all of them one special dithyrambic note was pressed. With infinite rhetorical variations, such transcendant terms as "genius of transportation" and "intellectual giant" were freely applied to Hill. Ingeniously put forward under many dictional disguises and artful tricks of style, the burden of these lays was the same as that so much remarked in the endless panegyrics of the Astors, the Vanderbilts, J. Pierpont Morgan, Blair, Sage, and nearly all other magnates. Always there was the emphasis, strongly denoting an argument for a client, upon Hill's extraordinary capacity and integrity; how he obtained every dollar of his vast fortune honestly, and how (it was specified) corruption and graft were conspicuously absent in the methods by which he amassed his wealth. One steady monotonous song it was varied, in long-separated intervals, by a tirade from the pen of some unyoked brother—a tirade with substance of truth, but lacking estimate and understanding.

HILL'S FORTUNE

In one notable respect his puffers do not misstate: Hill started with no money whatever. After he acquired a large fortune, that fact of itself should have been provocative enough to cause deep investigation; for money does not fall like rain; it must be garnered somehow; and while millions of hard workers always have had a difficult enough time getting a sufficiency for their simplest wants, the ease with which one man possessed himself of vast storehouses of wealth was a grave and grim fact well calculated at the outset to cause disbelief, on general principles, in the airy, sweeping statements of Hill's eulogists. But the very fact which should at once have aroused questionings and originated investigation was converted by his panegyrists into a sublime tribute—into a conclusive proof of his remarkable power of demonstrating himself to be a "self-made man."

If, however, wealth was to be used interchangeably with greatness, then Hill was a truly great nabob. He owned or controlled extensive railroad systems in the Northwest and West; he was the owner of vast areas of land, and of mineral deposits the fabulous value of which defied calculation. He was the possessor of steamship lines and of many other kinds of property; he lived in a virtual palace, and politicians, editors, clergy and judges were his puppets. Seeing that he "began"—as his eulogists expressed it—without money, how did he contrive to get all this wealth? His homagers did not explain this vital question; they unctuously reeled out dates and figures and glibly related when he obtained this or that property, but *how* he really accomplished the process they told not.

THE CHARACTER OF THE NORTHWEST'S SETTLEMENT

Hill was born at Guelph, Canada, in 1838, and migrated to St. Paul, Minnesota, in 1856. The environment into which he came, as a youth of eighteen, can easily be comprehended after a reading of the previous chapters. The Northwest was in its first real period of settlement; and not as conventional histories have it, was this settlement wholly made by "stalwart pioneers." As a matter of fact, it was made also by land-grabbers, timber thieves, gamblers, trading sharps, cutthroats and rogues in general. The rush to get land grants, mineral deposits, railroad franchises and every other available resource, was at its height. "Booms" of all kinds were projected; a horde of venal individuals swarmed in to preëmpt whatever they could, and fleece anybody that they could. There was a raging mania for the rapid acquisition of wealth, regardless of the means used.

True, a stream of agriculturists, whose sole aim was to obtain cheap land and honestly till it, poured in. But this element did not give the tone to the general character of the activities. The real aggressive tone was imparted by adventurers, capitalistic and otherwise. Practically all of these capitalists were Easterners, and many of them, as the records show, had been engaged in swindles in the East. Different sets of them were busily bribing Congress, Government officials and the Legislatures for land grants, railroad charters, franchises, mineral deposits and special laws. Sharp merchants, trading schemers and real estate hawks overran the newly-settled towns and cities. The stamp of money was upon every thought and plan; the pervading ideal was wealth, no matter how acquired; all classes were infected by it. Greed was in the very air, and if the many law-suit records in the Minnesota Courts can be taken as an indication, jobbery, swindling and cheating were a very routine performance in all business transactions.

Hill came into this atmosphere of venality, avarice and corruption; a state of society judging every man by the significant question, "How much is he worth?" Long before his entry, this corruption had gained full headway. Throughout the whole West, Northwest and Southwest, the fraudulent seizure of agricultural, timber and mining lands, and the corruption of Congress and of the Legislatures for gratuitous awards of public money, had (as we have abundantly seen in previous chapters) long been notorious. The Common Councils of the cities and public offices of all kinds were generally filled with men who converted their positions into a means of securing illicit revenue. Bribed or otherwise influenced to give special franchises and privileges or connive at frauds many of these men left offices, paying modest salaries, with a fortune.

THE DEBAUCHING AND SWINDLING OF INDIANS

The character of trade in the West and Northwest had been determined early in the nineteenth century by the operations of John Jacob Astor's American Fur Company and his other fur companies. Of the nature of the methods by which Astor laid the foundations of the fortune of $20,000,000 which he left at his death in 1848, and which fortune has since grown to be one of the largest in the world, many details have been herein set forth. We have seen, from the official records, how he systematically debauched numerous Indian tribes with whiskey, charged them incredibly extortionate prices for cheap merchandise which he exchanged for furs, and pauperized, and spread demoralization and death among the Indians. We have also seen how many of the Indian uprisings, resulting in the murder and massacres of white settlers, and in the murder and punitive shooting by the traders and by the vengeful Indians in return, were originally caused by these continued practices of debauching and swindling. In an early chapter it was explained that many additional facts had been intentionally left out; some of those there omitted will be described here in order to contribute to a clearer understanding of the long-prevailing trading methods in the West and Northwest.

It is clear from the reports of the United States army officers and those of the Government Indian Agents that the American Fur Company dominated the whole of the West and Northwest fur regions. The Government had established its own trading posts, called factories or agencies, the purpose of which was to supply the Indians with merchandise in exchange either for furs or land or to relieve their destitute condition when necessary. These Government trading posts were strictly prohibited from dealing in or supplying liquor. The American Fur Company succeeded in undermining the trade of these agencies, and finally in causing their abolition. The illegal use of liquor by the American Fur Company was one of its powerful means in seducing the Indians from the Government trading posts; another successful method was by prejudicing the Indians against them by the claim that the Government merchandise was inferior. In representing to the Government at Washington that the Government trading posts did little business, Matthew Irwin, U. S. Indian Agent, at Green Bay, Wisconsin, wrote that two of the reasons for this state of affairs were the secret practice on the part of private traders in vending whiskey, and the prejudice excited among the Indians against the Government agencies.[1] In a communication, dated February 22, 1822, to Senator Johnson, chairman of the U. S. Senate Committee on Indian Affairs, Thomas L. McKenney, U. S. Superintendent of Indian Trade, wrote that the agents of the American Fur Company "had a great deal at stake in overturning these establishments (the Government trading posts) and has much more at stake in the overthrow of the entire system." Superintendent McKenney wrote pointedly of the "haste of the American Fur Company to grasp the trade with our Indians." [2]

Writing from Camp Missouri, Missouri River, to Colonel H. Atkinson, on October 29, 1819, Major Thomas Biddle gave this description of the private traders:

> These traders are continually endeavoring to lessen each other in the eyes of the Indians, not only by abusive words, but by all sorts of low tricks and maneuvers. If a trader trusts an Indian, his opponent uses all his endeavors to purchase the furs he may take, or prevent in any way his being paid; each trader supports his favorite chief, which produces not only intestine commotions and dissensions in the tribe, but destroys the influence of the principal chief, who should always be under the control of the Government. The introduction of ardent spirits [whiskey, etc.] is one of the unhappy consequences of this opposition among traders; so violent is the attachment of the Indians for it, that he who gives most is sure to obtain furs; while, should any attempt to trade without it, he is sure of losing ground with his antagonist. No bargain is ever concluded without it, and the law on the subject is evaded, by their saying they give, not sell it.

Parenthetically, a reply made by Major John Biddle to one of the interrogations addressed to him by Senator Johnson may be properly interposed here:

> *Question 13.* Are the Indians judges of the quality of goods in which they trade, of the reasonableness of prices, and of the value of their own furs and peltries?
>
> *Answer.* The Indians are very observant, and reputed to be very good judges of the articles which they are accustomed to buy. Their capacity for the petty traffic which they carry on, is believed to be much greater than is generally apprehended. The principal fraud practiced upon them is believed to be in the article of spurious liquors; *to which the seller attaches a price in proportion to the penalty he would incur from detection.*[3]

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[1] Doc. No. 60, First Session, Seventeenth Congress: 60.

[2] Ibid.; 42

[3] Ibid.: 5

To resume Major Thomas Biddle's communication to Colonel Atkinson: He wrote further that when the traders bought furs after an Indian hunt "a keg of whiskey was considered an indispensable equipment of such an undertaking." He closed his communication with the following remarks:

> I had found on my arrival [at the Maha nation of Indians] most of the principal men drunk. The Big Elk, who is so much our friend, and who formerly possessed unlimited power in his nation, was so drunk for two days, that I could not deliver your letter to him; when I gave it, I requested an interpreter to inform him that I had been two days waiting to deliver a letter from you, but that very much to my surprise, I had found him too drunk to transact business. He appeared affected at what I said, acknowledged how unworthy it was in him to be in that situation, and admitted he had lost much power by it. He blamed the whites for bringing liquor into the country, said when he knew it was not to be had he felt no inclination for it, but that when it was near and attainable his attachment for it was irresistible. . . .
>
> Thus is the influence of this valuable and sensible Indian lost to his tribe and the Government, and thus is a man who possesses some traits that do honor to human nature, debased and made a beast of.[4]

The same document included this extract from a letter from the U. S. Indian Agent at Green Bay, Wisconsin, to Mr. McKenney, U. S. Superintendent of Indian Trade:

> The fact can be established that in almost every case the persons engaged [as traders] by Mr. Astor's principal agent, Mr. Crooks (who is a British subject), were known British subjects; many of them having held commissions under the British Government and headed Indians during the late war [that of 1812-15]. For example, at this place Mr. Astor sent goods to the following persons, last fall, to be traded alongside the factory [Government agency]:
>
> JOHN LOWE,
LEWIS GRIGNON,
AUGUSTINE GRIGNON, and
PETER POWELL,
>
> British subjects and holding commissions from the British Government in the Indian Department during the late war.
>
> And the following persons were sent by Mr. Astor in the neighborhood of Mr. Rouse, whom I sent to do business with the Indians at the Ouisconsin [Wisconsin].
>
> PETER GRIGNON,
MR. JACOBS,
MR. CHAPEREAX, and
J. B. GRIGNON,
>
> British subjects belonging to this place, and holding commissions, during the late war, from the British Government, in the Indian Department.
>
> And Mr. Lusienaux (a British subject) was sent by Mr. Astor to trade with the Indians at Winnebago lake. At Menominee river, where I sent Mr. Thomas P. James to trade, he was opposed by a Canadian sent by Mr. Astor; and in an underhand manner by Peter Powell, a British subject who held a commission in the Indian Department during the late war.

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[4] Ibid.: 46-47.

A description followed of the secret traffic in whiskey carried on by Astor's agents, with the explanatory statement that *"it was deemed illegal to accept Indian testimony."* In other words, Indians could be indiscriminately debauched, swindled, plundered and murdered, as we have seen, and yet their testimony in civil or criminal suits *was not considered legal.* The communication further described how Astor caused honest officials who exposed his methods and sought to prevent them to be dismissed from office, and continued:

> It appears that the commanding officer at Prairie du Chien undertook at the instigation of the Indian agent, to stop and send to St. Louis some of Mr. Astor's British trading subjects. For this act it is said the agent will be dismissed from the public service; and we now have the novel spectacle before us of a British subject (Mr. Crooks) traveling to the Prairie, with a passport from Governor Cass, said to be given by authority of the War Department, to inquire into the conduct of the Indian agent and commanding officer.

The Cass referred to was the same Lewis Cass, who, as has been noted in a previous chapter, received $35,000 from Astor, for services not stated.

On January 14, 1822, Senator Johnson laid before the United States Senate a long communication[5] regarding Astor's American Fur Company from Superintendent of Indian Trade McKenney, who wrote of "the keen and adventurous trader, skilled in the arts of deception and speculation, who is bent on making gains," and how "the consequences to the Indians are notorious; and these involve *bereavement,* and *suffering and death!"* McKenney referred feelingly to "the sight of that intellectual and moral degradation to which such a traffic necessarily dooms this unfortunate race of men," and described the trade as "essentially degrading in its character, and disastrous in its consequences, for it is the principal business of such traders to oppose everything like improvement. Such is the likeness which is stamped deep upon our Indians, and which may be traced out in all of the poverty and misery which invests so large a portion of their population. History details the causes; and these are to be found in the superior intelligence and keen avarice of the one party, and their disregard to political and moral order; and the unenlightened and dependent condition of the other." McKenney went on:

> . . . It cannot be admitted as a just view of the Indian character and manners to pronounce upon his treachery and cruelty as the characteristics of his moral constitution. These wily acts are rather the results of his best conceptions of defence, and of preserving himself from the treachery which is practiced upon him; and the displays of his vengeance are but the ebullitions of a provoking temper. We see the Indian goaded into desperation by injustice and fraud. . . .

G. C. Sibley, U. S. Indian Agent at Fort Osage, wrote, on April 16, 1819, to Superintendent McKenney, denouncing the attempts, chiefly on the part of the American Fur Company, to bring about the abolition of the Government trading posts. With bitterness he wrote that "The clamorous cupidity of the traders will no longer be restrained; the Indian trade must be given up to 'individual enterprise'; to merciless men . . . to unprincipled pioneers of commerce of every shade and hue." If that should be done, he pointed out, an address along these lines might as well be made to the settlers: "Your property will be sacrificed; your families murdered, and your farms desolated; but these men insist upon their rights, and the fur trade must be left open to them. . . . What is the bleeding scalp of an infant, compared with the rich fur of a beaver skin?"[6]

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[5] Doc. No. 10.

All of these protests were of no avail; by a campaign of persistent misrepresentation, wire-pulling and presumably bribery, Astor finally succeeded in having the Government trading posts abolished, and thereafter could debauch and swindle the Indian tribes without any competition in trade from the Government. But while denouncing Astor, and justly so, for his extraordinarily revolting practices, the United States Indian Agents might well have denounced themselves for virtually defrauding the Indians in the purchase for the Government of vast areas of lands owned by the Indians. Superintendent McKenney stated that these lands had cost the Government an average of only *two cents an acre! Two cents an acre,* so it is written; the Indians were often paid this sum in merchandise. Much of the poverty, and nearly all of the debauchery, swindling, murders and massacres could be rightfully charged to the fur-trading company, but the Government itself was responsible for some of the destitution in thus taking advantage of the unsophisticated Indians and wheedling away their valuable agricultural, timber and mineral lands for virtually nothing. And, as we have seen, capitalists then promptly stepped in and fraudulently secured great stretches of these timber and mineral lands, while sections of the working class were vainly petitioning Congress to give the workers cheap access to the soil, or to hold the land as national property, for the benefit of the whole people.

The bribery of Government agents, in all departments, by capitalists determined upon defrauding the Government, the Indians, inventors and the producers in general, was persistent. Facts have heretofore been given of the corrupt collusion of land office registers and receivers by which capitalists obtained immense tracts of land. Many of the Government agents among the Indian tribes were likewise corrupted, either by money or other means. Numerous Congressional investigations conclusively established this fact. An investigation, in 1842, of the frauds practiced during the previous decade or more upon the Cherokees, for instance, revealed such an elaborate system of fraud on the part of private contractors in the contracts for supplies, that a powerful attempt was made to suppress the report. The House Committee on Indian Affairs declined to yield to the influences demanding suppression, and published the re-

[6] Doc. No. 60:57-59.

port in full.[7] The report of the investigation consisted of two sections, the first of which gave a description of the Cherokees. In its own report, the House Committee on Indian Affairs thus reported in part:

> The second report relates to frauds alleged to have been committed upon the Government and the Indians, by certain subordinate agents in the public employment, and persons who had contracted with the Government to furnish subsistence to a number of tribes. This report presents a great amount of facts on the subject, showing that the most exorbitant prices were paid to the contractors who furnished the rations. The manner in which the contracts were made is pointed out, as well as the manner in which they were performed; and, unless the statements are false, it is evident that the Government was defrauded in the first instance, and the Indians in the second; and that in both the agents of the Government participated.
>
> The facts contained in the report are very valuable. They expose the whole machinery of fraud, by which the Government and Indians have been so often and so greatly wronged. . . . The inquiry by Lieutenant Colonel Hitchcock appears to have been conducted with great intelligence and fairness. . . .

North and south, east and west, this defrauding of Government and Indians continuously went on.

THE SEIZURE OF MINERAL LANDS

The thefts of mineral lands in Wisconsin, Illinois, Iowa, Michigan and other States were so scandalous a condition by the year 1840, that successive Congressional Committees were moved to report extensively upon them. The House Committee of Public Lands reported, on December 18, 1840, that large tracts of land, well known to be rich in mineral deposits, in the Northwest and elsewhere, had been fraudulently seized under nominal forms of law, and that deception, perjury and fraud were common.[8]

Two years later, on April 1, 1842, the House Committee on Public lands submitted a similar elaborate report, containing a petition from citizens of various Western and Northwestern States complaining that the oldest and most valuable mines had been fraudulently seized "and that, too at the very time when the regular miners were occupying the same, and were deriving their livelihood from them." The committee described many cases of perjury or fraud in the seizure of lead and copper mines, and many facts were brought out showing that the bribery of Land Office officials and army officers was a regular part of the fraudulent operations. "Redress through the courts of ordinary jurisdiction," the report read "is slow and expensive. The persons aggrieved are generally men poor in purse, living by their labor, and they have not the means to contend in court with the wrongdoers." [9]

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[7] Report No. 271, Twenty-Seventh Congress, Third Session, February 25, 1843.

[8] Reports of Committees, Second Session, Twenty-sixth Congress, 1840-41, Report No. 1.

[9] Report of Committees, Second Session, Twenty-seventh Congress, 1841-42, II, Report No. 484.

A report, dated January 27, 1846, of the Senate Committee on Public Lands, in answer to a resolution of inquiry of the United States Senate as to the character and disposition of the Lake Superior mineral regions, pointed out that that region "has within the two or three past years risen into great importance in the public estimation." The committee declared itself fully persuaded that its copper mines were very valuable, and that under proper management the mines might become a prolific source of income to the Treasury of the United States. The committee described the great frauds by which large areas of these mineral deposits, located on public domain, were passing into private hands.[10]

Frequent Congressional reports told of the fraudulent methods by which immensely valuable mineral deposits in the Northwest were robbed from the Indians, and the Government swindled. The House Committee on Indian Affairs reported, for example, on April 11, 1874, that a treaty, signed in 1854, between the United States and a branch of the Chippewa Indians gave that tribe a reservation in Michigan. "In 1869," the report continued, "some speculators in public lands discovered valuable minerals in the township, fifty-one [part of the Chippewa reservation.] They immediately went to work, while the secret remained theirs, to have it restored to market. They finally succeeded so far as to induce the Government to restore to market so much of the township, by far the larger and more valuable portion, as lies east of Huron Bay." [11] The report declared that the Indians had been unjustly dealt by and wronged, and the mineral lands fraudulently acquired. This was but one of many such reports dealing with the theft of mineral lands from that tribe and other Indian tribes.

THE COLOSSAL THEFTS OF TIMBER

The huge fraudulent operations in the theft of timber from the public domain in Minnesota and other States and Territories, and the bribery of public officials to connive at those thefts, were another example of the widespread and permeating fraud.

Congress had passed an explicit act prohibiting depredations on the public timber lands, and providing a penalty for each violation of the law of a fine of not less than triple the value of the timber cut, destroyed or removed, and a term of imprisonment not to exceed twelve months. This law was effectively ignored or evaded by individual lumber capitalists or lumber corporations. In a long report, under orders, to United States Secretary of the Interior Robert McClelland, on February 12, 1854, James B. Estes, U. S. Timber Agent for Iowa, Minnesota and the Western district of Wisconsin, stated that in one Minnesota section alone

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[10] Senate Documents, First Session, Twenty-ninth Congress 1845-46, IV, Doc No. 160.

[11] Reports of Committees, First Session, Forty-third Congress, 1873-74, Report No. 396.

—the Black River district—more than two hundred million feet of pine had been cut and carried away. "On the Black River," wrotes Estes,

> are sixteen lumbering mills, all of which, until the last year have been supported by logs taken from the public lands.
>
> Upon the Chippewa and Red Cedar or Menominee rivers, the same state of waste exists and has been carried on for a number of years. There are also upon these streams, and their branches, eight saw mills which doubtless cut, as an average, more than two millions of feet a year. The amount of lumber cut at all of these mills is small compared with the actual waste upon the public lands, as there is now, and has been for years, a most extensive business of "logging" carried on to supply the lower markets of the Mississippi.

Along certain rivers besides those named, Estes added, there were "nineteen saw mills, of steam and water power, which are engaged in cutting, and doubtless consume, forty or fifty million feet of lumber yearly. In addition to this, there has been a large traffic in rafting logs down the Mississippi to the St. Louis and other markets below." [12]

BRIBERY OF OFFICIALS

Usually the Government timber agents were bribed to wink at this colossal system of fraud, and at other times they were likewise bribed to sell (what they had no legal authority to sell) permission or licenses, for insignificant payments to the Government, to cut timber from the public lands. Estes reported that he had instituted twenty-one indictments against some of these timber trespassers, and that among the number he had caused to be indicted, was Stunton, a former United States Timber Agent, "for being accessory to those trespassers, in having sold to individuals permissions to cut and waste." [13]

So intrenched was this system that when one honest Government official attempted to enforce the law, the whole lumbering interests sought to discredit him and his aim and bring about his removal.

Even further: not only did the lumber capitalists systematically seek to thwart the enforcement of the law by honest officials; all of the allied capitalists in the same region, and subsidized newspaper owners and hirelings joined in threatening, and often using, force to prevent the laws from being executed. This is clearly shown by the report made on February 18, 1854, by I. W. Willard, U. S. Timber Agent for Western Michigan, to United States Secretary of the Interior McClelland. Willard estimated that "there have been manufactured and shipped from there [the region north of Grand River and Lake Michigan] more than five hundred million feet of lumber within the last ten years, and more than seven-eighths of which was plundered from the public lands. . . . Besides this, the extensive tanneries of Chicago and Milwaukee have been largely supplied with bark from the forests of hemlock on the eastern shore of Lake Michigan." [14]

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[12] Executive Documents, First Session, Thirty-third Congress, 1853-54, XIV, Doc. No. 115:8.

[13] Ibid., 9.

HONEST OFFICIALS MALIGNED AND PERSECUTED

Willard caused thirty-seven of the trespassers to be indicted. Then, he wrote, "the entire timber interests commenced a systematic war upon me. The newspapers at Chicago, it is believed, at the instance of the trespassers, their attorneys and agents, contained attacks daily upon the agent, characterizing his conduct as oppressive in the extreme, and the Chicago Tribune went so far as to counsel resistance by force. Meetings were held in the lumber regions, attended by lumber merchants from Chicago in some instances, at which violent harangues were made, and resolutions adopted, the temper of which was well calculated to excite a feeling leading to the most dangerous consequences." [15] In fact, the timber capitalists employed armed gangs to prevent the seizure of the stolen lumber, and fleets of lake ships were requisitioned to carry off the lumber by stealth before the Government agents could arrive to confiscate it.

What eventually happened to those thieves? Invariably they gradually succeeded in forcing the honest Government timber and land officials out of office. They fought the Government by force and strategy, and contested it in the courts. The plea was set up by them that timber was not a part of the land, and for years the courts solemnly considered the question whether a tree went with the real estate. Finally, the Supreme Court of the United States gravely decided that it did; that "the timber while standing is a part of the realty, and it can only be sold as the land could be, and unless lawfully cut, will remain the property of the United States." [16] A few of the underlings of the lumber capitalists were detained in jail; as for the capitalists themselves, they were allowed by the Government "to compromise" the cases against them, by payment of trivial sums. No poor man violating the law had ever been permitted to compromise with the Government; *he* had to face a court mandate and go to jail and stay there until his sentence expired. But the timber capitalists, like all other sections of the capitalist class, were allowed to keep the fruit of their thefts, and buy immunity from the penalties of the law by paying back a very small part of the proceeds. With these proceeds the timber thieves often then bribed legislatures for privileges and franchises, bought stocks and bonds, and real estate in the cities, built fine mansions and became the founders of some of the considerable fortunes in the United States. And continuously, decade after decade, the gigantic thefts of timber from the public lands went on unceasingly.[17]

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[14] Doc. No. 115, 1853-54, etc., 16.

[15] Ibid.

[16] U. S. vs. Cook, Wallace's Reports, Supreme Court of the United States, xix:591.

[17] The voluminous reports on the subject issued by the General Land Office in 1877, showed that the most extensive timber depredations were still going on in Minnesota, Michigan, Wisconsin, Louisiana, Alabama, Florida and other States, and

These are a very few instances of the methods in the seizure of mineral deposits and timber throughout the Northwest long before, or at about the time, Hill appeared on the scene. In fact, it might be said that when he arrived in St. Paul, fraud, as the foremost means to success, had already become traditional. The remarkable frauds by which many millions of dollars were gathered by Russell Sage and others in the projection and manipulation of the St. Paul & Pacific Railroad were carried on under Hill's eyes. Very probably he learned his first great lesson from observing Sage's methods, and it was this very railroad that he and his partners obtained, after Sage had plundered, and practically abandoned, it.

THE HISTORY OF A RAILROAD HILL SECURED

The history of this railroad was one of continuous corruption from its inception. The facts have been given in one of the chapters on the Sage fortune, but a recapitulation will be here summarized.

The attempted corrupt seizure of public lands in Minnesota began in 1854, when an act was corruptly lobbied through Congress indirectly giving nine hundred thousand acres of public domain to the Minnesota and Northwestern Railroad Company. The ensuing public scandal compelled the repeal of that act. But other acts were passed by Congress in 1857, by the same proved methods of bribery, indirectly, yet absolutely, giving a present of six million acres of public land in Minnesota to various railroad corporations.

One of these measures of Congress, approved on March 3, 1857, made a large land grant to the Territory of Minnesota for the benefit of the Minnesota & Pacific Railroad Company. The further history of this railroad has heretofore been specifically described; how its projectors were composed of notorious lobbyists and swindlers; how they corrupted the Minnesota Legislature to award them "as aid" several millions of dollars of State bonds; how they fraudulently sold and hypothecated large amounts of those bonds and pocketed the proceeds; and how, although they had received millions of acres of public lands, and millions of dollars of public money, yet, by 1859, they had not built more than a few miles of worthless track. More millions of dollars had been obtained by palming off stock on farmers, merchants and other investing dupes.

The robbery of these huge sums threw the railroad company into insolvency. Then, in order to prevent defrauded creditors from recovering, Sage and his associates induced the Minnesota Legislature to pass an act reorganizing the company into two divisions, one division called the St. Paul & Pacific, and the other, the First Division of the St. Paul & Pacific Railroad Company. This legislative act, the courts held, entirely

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that Government timber agents were being bribed, or otherwise influenced to connive.—See Senate Documents, Forty-fifth Congress, Second Session, 1877-78, Ex. Doc. No. 9.

relieved the two new corporations from the debts of the old corporation, although it in nowise affected their land grant and franchise rights.

Having thus made it impossible for creditors to recover, Sage and company, on the plea that "further public encouragement was necessary to complete the railroad," lobbied an act through Congress in 1865, by which the land grant was increased to ten sections a mile for each mile of the railroad and its branches. They then mortgaged the railroad and its land grants to a syndicate of Dutch capitalists for $13,380,000, of which $8,000,000 was immediately diverted to various fraudulent devices, and the railroad was again plunged into bankruptcy.[18] In 1875, Judge Dillon, of the United States Circuit Court, appointed a receiver for the railroad in the person of Jesse P. Farley.

HILL STEPS IN WHERE SAGE LEAVES OFF

Hill and his associates stepped in where Sage left off. We have seen how Farley expended only about $100,000 in constructing and repairing the railroad. So little was done, and the road was in such a disgraceful condition, that on March 9, 1878, the Legislature of Minnesota passed an act declaring that unless a specified number of miles should be built by certain dates, the uncompleted portions of the railroad, together with the land grants, rights, franchises and exemptions from taxation, should be at once forfeited to the State of Minnesota "without any act or ceremony whatsoever." From another direction, also, trouble was threatening. The Dutch bondholders were angrily clamoring to know what had become of their millions, and had appointed John S. Kennedy, a New York banker, as their representative to bring suit.

Hill saw the opportunity of getting for almost nothing a railroad of five hundred miles, and a land grant of more than two and a half million acres. How did he manage it? According to Farley's repeated statements in subsequent court proceedings, Hill and Norman W. Kittson entered into a conspiracy with him (Farley) to betray the United States Courts, and at the same time Kennedy conspired with him to betray the Dutch bondholders. These allegations Hill denied, but Farley asserted and reasserted them in many court proceedings.[19]

THE METHODS BY WHICH CONTROL WAS OBTAINED

Farley was an ignorant, almost illiterate, man who had seen some railroad experience in Iowa, and his cupidity was well known. That he was selected as a receiver, or rather recommended to the court, by Kennedy was definitely asserted in the court decisions.[20] Undoubtedly he was chosen by Kennedy in accordance with a surreptitious agreement, because it was known that he would prove a pliable tool. If Farley's own sworn statements were to be accepted, he was to mismanage the affairs of the railroad so that the price of the bonds would be reduced, and he was to inform Hill and Kittson of every move that he made. At the propitious time, Hill and Kittson were to come forward and get control of the railroad. Neither Hill nor Kittson had the necessary money to do this, but according to Farley they were to give a two-fifths or forty per cent. interest to anyone supplying the funds. Farley contended that this agreement further provided that a three-fifths or sixty per cent. interest should be reserved for himself and for Hill and Kittson—one-fifth for each of the trio.[21]

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[18] The specific facts, from the court records, have been related in the second chapter on the Sage fortune.

[19] Farley vs. St. Paul, Minneapolis and Manitoba Railroad Company, Federal Reporter, XIV:114-118; United States Reports, Vol. CXX:303-318; Farley vs. Hill, Federal Reporter, XXXIX:513-522; Farley vs. Norman W. Kittson et al., Minnesota Reports, XXVII, 102-107.

The all important consideration was to build at once the extensions, in view of the act of the Minnesota Legislature threatening the franchise rights and land grant with forfeiture. But who would supply the funds for this construction? Kittson brought in two fellow-Canadian friends—George Stephen, manager of the Bank of Montreal, and Alexander Donald Smith, long associated with the Hudson Bay Trading Company. Where Stephen and Smith obtained the millions of dollars which they now advanced, has never been clearly shown. It was long persistently charged, by at least one responsible member of the Canadian Parliament, among others, that Stephen, Smith and one Angus withdrew $6,000,000 from the Bank of Montreal with which to finance the enterprise, without the knowledge of their co-directors. So far as documentary proof of this allegation is concerned, none has been found; it may exist, but we have been unable to discover it.

HILL AND HIS CLIQUE GET THE RAILROAD

The campaign to get control of the railroad was now fairly complete. The various properties embraced in the railroad company's title were mortgaged in several mortgages amounting, in the aggregate, to $28,000,000 of bonds. Hill and his associates bought in these $28,000,000 of bonds at an absurdly low price, in some cases of large issues, at only three per cent. of their value. The range of prices was from thirteen and a quarter, to seventy-five per cent., of their par value.[22] But Hill and his partners were not required to pay in immediate cash. The bonds were chiefly bought on the understanding that they were not to be paid for until the railroad was reorganized.

Such actual money as was expended was spent in a busy effort to construct the extensions, and thus forestall the forfeiture law. "Under these circumstances," the court record stated, "the receiver, at the instance of

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[20] Federal Reporter, XXXIX:516.
[21] Farley vs. Norman W. Kittson et al., Minnesota Reports, XXVII:103.
[22] Federal Reporter, XXXIX:516.

Mr. George Stephen and other large bondholders (James J. Hill, Donald A. Smith and Norman W. Kittson) hurried to court, and got an order on April 18, 1878, to get authority to issue debentures to complete the extensions."[23] Under the authority of the court, Farley, out of the funds advanced by the Hill-Stephen combination, built one hundred and twenty-five miles of railroad at an aggregate cost of $1,016,300. This extension gave an unbroken railway connection between St. Paul and the Canadian system of railway in Manitoba.

Only one thing more was necessary to get the whole railroad line out of the jurisdiction of the Court into absolutely private possession. This was a decree of foreclosure. On April 11, 1879, a final order of foreclosure was decreed, and on June 14, 1879, the road was sold to the St. Paul, Minneapolis & Manitoba Railroad Company. This company Hill and his associates had organized a month before the sale, for the express purpose of buying the railroad under foreclosure. The entire cost of the main lines and extensions of the St. Paul & Pacific, both divisions, was $6,780,000. But the Hill coterie were not called upon to pay this sum in money. They were allowed to turn in receiver's debentures and bonds as payment for the purchase price.

THEY BUY IN AT A "BARGAIN SALE"

Farley testified subsequently that the railroad thus sold for $6,780,000 was worth, at the very least, $15,000,000, thereby confessing his complicity in being a party (as he swore) to a clandestine agreement by which such a sale had been fraudulently arranged for in advance. In the suit, in 1880, of Wetmore vs. the St. Paul & Pacific Railroad Company, to set aside the sale, Judge Miller estimated the five hundred and sixty-five miles of railroad and the 2,586,606 acres of land to be worth $20,000,000 or more.[24] In fact, from a part of the land grant alone, aside from the railroad property itself, Hill and company obtained more than twice the sum that they had paid for the entire property. Immediately after the foreclosure sale, they sold the greater part of the land grant for $13,068,887.

A few years previously Hill was a poor man; perhaps he had a few thousand dollars. The operation described at once made him a millionaire. He and his associates not only held the railroad's bonds, but they apportioned the stock among themselves. Hill and Kittson each received 57,646 shares of stock, and the other members of the combination their share. In addition, they otherwise made large profits.[25] As soon as the railroad was secured in their possession, they began the accustomed process of hugely watering its stock.

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[23] John S. Kennedy et al. vs. The St. Paul and Pacific Railroad Company et al., Dillon's Circuit Court Reports, 1879-80, V:527.

[24] Dillon's Circuit Court Reports, 1879-80, V:531.

[25] United States Reports, CXX:308.

THE RECEIVER SWEARS THAT HE WAS IN COLLUSION

Farley was bitterly disappointed at receiving none of the spoils. So determined was he to get what he claimed was his allotment, that he did not mind the publicity of his betrayal of his trust as receiver. He brought a suit against Kittson, Hill, etc., in the Minnesota Supreme Court, alleging that by agreement he was to receive one-fifth of the capital stock of the railroad, and one-fifth of all other securities and property acquired by Kittson, Hill and the others of the combination, as a result of his collusion. It was a very audacious ground upon which to base a complaint. Farley could produce no written agreement, and Judge Gilfillan, in October, 1880, decided that he had not proved his case.[26]

At the same time, Farley sued the St. Paul, Minneapolis & Manitoba Railroad Company in the United States Circuit Court. The attorneys for the defense, it is interesting to note, based their main plea for nonsuiting the case on the ground that a court official who had betrayed his trust had no standing in court. In this particular plea Judges Treat and Nelson concurred. Their decision, rendered in 1882, said in part:

> Courts will not and ought not be made the agencies whereby frauds are in any respect recognized or aided. They will not unravel a tangled web of fraud for the benefit of anyone enmeshed therein through whose agency the web was woven. Especially must that be a rule where a trusted officer of a court, whose position is both advisory and fiduciary, seeks its assistance to compel alleged confederates to share with him the spoils acquired through his concealments and deceits, which he admits were deemed by his confederates and himself necessary to their success through his betrayal of his trust.[27]

THE COURT VIRTUALLY CONFIRMS HIS CHARGES

Then followed parts of the court's decision practically confirming Farley's statements that he had entered into a conspiracy of collusion with Hill, Kittson, Stephen, Smith, etc., on the one hand, and Kennedy on the other. "The plaintiff," continued the decision, "conceived a scheme to wreck the vast railroad interests which it was his duty to protect. Through a betrayal of his trust under such circumstances, according to his version of the facts, these vast railroad properties have been secured, and a profit realized of $15,000,000 or more."[28]

The court went on to say that for his betrayals, Farley was to get a portion of the spoils, and the ground of his suit was that his associates had repudiated the fraudulent contract. As they refused to divide the spoils, Farley had sought the aid of the courts to compel them—a very strange demand, the decision said, to bring into any court. As for Kennedy's part in the transaction, the decision set forth, "It is charged, however, and for the purposes of the case may be admitted, that Mr. Kennedy, agent of the Amsterdam Committee, was advised by the plaintiff [Farley] during the progress of the scheme that he, the plaintiff, was secretly betraying his trust."[29] The decision concluded by saying that Farley's cause of action was based on "inherent turpitude," and that the courts would not recognize any such action as valid.[30]

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[26] Minnesota Reports, XXVII: 102-107.
[27] Federal Reporter, XIV: 114-118.
[28] Federal Reporter, XIV: 117.

FARLEY INSISTS UPON GETTING HIS SHARE OF THE SPOILS

Farley carried the case to the Supreme Court of the United States. That court, in October, 1886, held that the plea put forth in the lower court was unsatisfactory, in that it had not established any question of fact. The case was remanded with instructions for a new trial.[31]

The suit, therefore, came up again in the United States Circuit Court at St. Paul, this time in September, 1889. This court's statement of the case reads:

> In 1876, complainant, Farley, was, by appointment of this court, receiver of the property of the St. Paul and Pacific Railway, and also general manager of the lines of the First Division of the St. Paul and Pacific Railway Company. . . . Several series of mortgage bonds were outstanding, largely owned and held in Holland. Complainant alleges that he and the defendants, Kittson and Hill, entered into an agreement for the purchase of these bonds, or a majority thereof, and the use of the same in the purchase of the road in foreclosure of the mortgages. The defendants were to furnish the funds necessary therefor, and the complainant to furnish facts, information and assistance. Certain it is that the bonds were purchased by the defendants, Hill and Kittson, with two associates, foreclosures consummated, and the railway properties acquired.[32]

The question was, the court declared, whether such a contract had been made, and if so, whether it was against public policy.

Farley testified that an oral contract had been made, and he was corroborated by his clerk, Fisher. Hill denied it, and as for Kittson, he had died before his testimony could be taken. Various letters of Farley's correspondence, with the banking firm of John S. Kennedy & Company were produced in court and were incorporated in the court record. One of these, written on May 23, 1879, by Farley to John S. Barnes, a member of the Kennedy firm, read:

> Since the election of Bigelow and Galush, as Directors in the New Company, Men of no Money, railroad experience or Influences, And myself left out in the cold, I am forced to the conclusion that My time and claims on the St. Paul and Pacific is Short, I did expect better things of Hill and Kittson. I had a talk with Jim Hill last Knight. He disclaims any intention on his part

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[29] Ibid.

[30] Ibid., 117.

[31] United States Reports, CXX:303-318.

[32] Federal Reporter, XXXIX:514.

to ignore my claims, but he is such a Lyer can't believe him. It is a matter of astonishment to every person in St. Paul to see the way Jim Hill handles Mr. Stephens. He is notoriously known to be the biggest liar in the state. Mr. Kittson told me time and time again that Jim Hill is the worst man he ever saw. Upham, P. H. Kelly, Thompson and in fact every citizen in St. Paul if they would Speak their Sentiments would all tell the same story. You Must Not blame Me if I should try to get even with Jim Hill before I leave here.[33]

In deciding the case, Justice Brewer said that he did not believe such a contract had been made, and he based his belief on this singular and highly amusing ground of reasoning: "Is it probable," he wrote of Farley, "that a man so situated, with his years of experience in railroad foreclosures, and owing such a duty to the bondholders, would enter into a secret arrangement with third parties for the purchase of bonds—an arrangement which made it to his interest to reduce the market price of bonds? Is it probable that such a man would deliberately cloud the record of his life?" etc., etc.[34] Of course not.

Again Farley carried the case to the Supreme Court of the United States. This court, in October, 1893, upheld the decision of the Circuit Court, declaring that Farley had not proved his claim.[35] After thirteen years of legal contest, Farley was unable to collect a single dollar.

HILL AND HIS PARTNERS BECOME GREAT DIGNITARIES

Of the men whom Farley alleged conspired with him, or who were alleged to have profited by his betrayal of his duty, Hill became the great multimillionaire autocrat of the Northwest, and Stephen and Smith obtained peerages from the British Crown—Stephen as Lord Mount Stephen, Knight of the Grand Cross of the Royal Victorian Order, etc., and Smith as Lord Strathcona, Knight of the Order of St. Michael and St. George, etc.[36] Kennedy rose to be a multimillionaire; when he died on October 31, 1909, he left a fortune estimated at from $30,000,000 to $60,000,000 which included $7,000,000 worth of stock in the Great Northern Railway, mostly obtained at the very time he betrayed his clients, the Dutch capitalists. He also held $10,000,000 of Northern Pacific Railway stock, secured at about the time when the Northern Pacific

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[33] Federal Reporter, XXXIX:521. One of Hill's eulogists, in a "biography," very effusive on the whole, published in the New York "Tribune," issue of April 7, 1907, thus wrote of Hill:

"Mr. Hill has a reputation in the Northwest as a very hard man in business. . . . He has never had patience with any one who could not practice unflagging industry and self-denial. Out of this same trait has grown the conviction among railroad men that 'Jim' Hill is the hardest man in the business to work for. For himself there has never been a quitting time. Even now he is busy nights and Sundays when there is work to do. It has always been a short shrift for those in his employ who could not forget that there were such things as office hours and holidays. . . ."

[34] Federal Reporter, XXXIX:516.

[35] United States Reports, CL:572-577.

[36] See "Burke's Peerage."

Railroad Company, as we shall see, was bribing land grants through Congress and stealing vast mineral deposits from the public domain. In the latter years of his life, Kennedy gave a few millions for "philanthropic purposes," and was exalted as "a great philanthropist." His will revealed that he bequeathed tens of millions to philanthropic and educational institutions.

This by way of passing explanation. To continue the story of the Hill fortune, however: Hill and his associates secured more franchises and special laws, built extensions, and formed the Great Northern Railroad out of the railroads that they had obtained and the extensions which they constructed. The Legislatures of the Northwest were deluged with bribe money, although it was never specifically proved that Hill was the distributor. The whole newspaper press was subsidized, and towns, cities and counties were prevailed upon to grant endowments and exemptions of all kinds. So rife was this corruption, that, in 1883, some protesting members of the Minnesota Senate introduced this resolution which was adopted:

> WHEREAS, The acquisition and holding of large interests in land-grant railroads, public contracts and other schemes receiving aid from the General Government, by high Federal officials, places such officials in positions where they cannot be true to the public interests, without a sacrifice of self interest; and
>
> WHEREAS, Money thus acquired by public men is ordinarily used to corrupt the springs of political influence, and prevent the expression of the real sentiments of the people, and,
>
> WHEREAS, It is alleged that in the preceding Senatorial election, certain members of this Legislature have been improperly and corruptly influenced by promises of money, public office or other valuable considerations, for a certain candidate for United States Senator, therefore,

The resolution called for a Special Investigating Committee of Seven.[37] The report of this committee, while of a whitewashing and partisan nature, indicated an appalling state of corruption.

The significance of this self-admitted corruption of the successive Minnesota legislatures, will be better understood by a consideration of one among a large number of characteristic episodes.

On March 1, 1877, when the popular indignation against the lootings and usurpations committed by Russell Sage and his band were at their height, the Minnesota Legislature had enacted that the St. Paul and Pacific Railroad Company should have no right "directly or indirectly" to any land upon which settlers had settled in good faith. Inasmuch as a certain part of the railroad was not completed until November, 1878, the terms of the act of Congress of June 22, 1874, were violated. This act had extended the time of completion to March 3, 1876; otherwise the land grant was to be forfeited.[38] But the Supreme Court of the United

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[37] Minnesota Senate Journal, 1883:29.

[38] Senate Executive Documents, First Session, Fifty-second Congress, 1891-92, V, Doc. No. 67.

States conveniently decided that a mere breach of the conditions of the act of Congress did not of itself work a forfeiture of the grant; either Congress or the Minnesota Legislature had to take some specific action declaring the forfeiture.[39] The essential object, therefore, on the part of Hill and his associates was to prevent Congress and the Minnesota Legislature from passing such a forfeiture act; and they were successful.

THE EVICTION OF DAKOTA SETTLERS

After Hill had secured control of the St. Paul & Pacific Railroad, under the name of the St. Paul, Minneapolis & Manitoba Railroad, and had changed the title to that of the Great Northern Railroad, he claimed in 1884 sixty-five thousand acres of land in Dakota. Before 1884 no claim had ever been set up by the company to that land. The claim was based upon the old land-grant act of 1857, passed when Dakota was a part of Minnesota. For years the country along the Red River in Dakota had remained a wilderness until farmers settled there, and converted it into one of the richest agricultural regions in the West. The General Land Office took it for granted that this land did not belong to the railroad company, and had given full titles to the settlers.

In November and December, 1891, intense excitement prevailed among the farmers in the Red River Valley. An order had been issued by the Great Northern Railroad Company compelling farmers, by December 15, to vacate lands belonging to the company. This order was based upon a decision of the Supreme Court of the United States declaring that the company's land grant extended to the Territory of Dakota—later the States of North Dakota and South Dakota.[40] This decision gave the company some of the most fertile and valuable areas in Dakota. Unquestionably, under the acts of Congress, these lands, even if the original grant had extended west of the Red River, had long since been forfeited. The Supreme Court of the United States, however, by its successive decisions, negatived the explicit acts of Congress. The Great Northern Railroad thereupon began the eviction of farmers in the odd numbered sections within the twenty-mile indemnity limit of its land grant. This order of the company was like a thunderclap to the settlers. Many had resided on the land for twenty years.

The settlers appealed to Congress. That body passed an act to allow the railroad company to select an equal area of lands in lieu of those settled upon. This act, although apparently passed for the benefit of the settlers, was precisely what the Great Northern Railroad Company was waiting for. The lands relinquished by the company were non-mineral; the act of Congress therefore, provided that the lands in exchange that it should select elsewhere should be non-mineral. But when the exchange was made it was discovered that the company had selected the most valuable timber lands in Idaho, Montana and Washington—lands worth far more than the Dakota lands—and that on some of these lands rich mineral deposits underlay the timber. The Commissioner of the General Land Office at that time was, as we have noted in a previous chapter, T. H. Carter. His record was so very satisfactory to Hill, the ruler of the politics of the Northwest, that, subsequently, the Montana Legislature was allowed to send Carter to the United States Senate, of which he became a distinguished member.

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[39] Case of St. Paul, Minneapolis and Manitoba Railroad Co. vs. Charles and James Greenlaugh, March 2, 1891.

[40] United States Reports, CXXXVII:528.

HILL'S IRON ORE DEPOSITS

Hill personally owned immense iron-ore deposits in Minnesota. In 1906 he leased what was really a small part of these deposits to the Steel Trust for a period of twenty-five years on a royalty basis, the payments amounting, in the aggregate, to tens of millions of dollars. How he obtained these deposits is not told clearly in official documents. We have seen in previous chapters, that the original land grants made by Congress, corrupt as were the circumstances of the passage of the various acts, were never intended to cover coal, iron or other mineral deposits. But by fraudulent constructions of the laws, made by Land Commissioners and the Courts, coal and iron lands were determined not to be included within the meaning of the word mineral.

According to Senator Pettigrew's version, Hill secured large iron deposits in Minnesota by private purchase. For this he had ample capital, reaching tens of millions of dollars. This money was derived from the St. Paul & Pacific Railroad transactions, successive illegal stock waterings, and the extortionate profits from his railroad system—profits terrifically oppressive to the people of the Northwest. Senator Pettigrew wrote of the purchase by Hill of these iron deposits: "The iron underlay forests of pine, and the lumber company had built a lumber road to get out the pine, and having cut the pine off, sold the road and the land to Mr. Hill at what they considered a very exorbitant price, but it turned out that underlying the land were vast deposits of iron ore. I think Mr. Hill estimates the mines at five hundred million tons." [41] If this account was correct, it could have been safely assumed that Hill knew the character of the land before he bought it; judged by business standards it was a very astute transaction.

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[41] Related in a personal letter to the author. In a prior chapter of this work ("The Seizure of the Public Domain"), we have seen how large areas of land, granted to canal corporations as nominally swamp lands, were so fraudulently surveyed as to include some of the very richest copper deposits in the Northwest. The same was true of iron-ore deposits in some of the grants to railroad corporations. It cannot be said that the beneficiaries of these frauds were unaware of the fact that copper and iron-ore deposits were on the lands thus fraudulently acquired by them. A number of reports by Government geological experts had described the extent and location of these mineral deposits. One voluminous report, in particular, was that by J. W. Foster and J. D. Whitney, United States Government geologists. It was issued in 1851, and gave full descriptions of the character of the mineral lands. It especially described the iron-ore deposits of the Lake Superior region as being of an almost unprecedented state of purity.—U. S. Senate Documents, Special Session, Thirty-second Congress, 1851, III, Doc. No. 4.

This assumption was borne out by the facts revealed in a suit brought at St. Paul, in January 29, 1901, by H. W. Pearson, a geologist of Duluth, against Hill and the Great Northern Railroad Company. The sum involved in the proceeding was stated to be not less than $14,000,000 which was alleged to be the value of property held by Hill and his railroad, and taken by them after its discovery by Pearson. In his complaint Pearson averred that these mineral deposits were located by him under a contract with Hill by which he, Pearson, was to have a share in the profits. Pearson further alleged that he had been employed by Hill, in 1896, to locate coal and iron deposits in the States of Washington and Montana; that he found the deposits; that under his direction the Hill interests secured thousands of acres of valuable land, and that when he presented his claim for a share, he was cast aside. Of the final disposition of this suit no record appears in the available court documents.

If, however, the methods used by the Great Northern Railroad in appropriating mineral lands have been the same as those employed by the Northern Pacific Railroad, then their nature is clear. This latter railroad was not originally owned by Hill, but he and those allied with him, later, as we have noted, obtained control. "The net outcome," wrote Moody, "of the Northern Pacific corner, and of the Northern Securities incident [42] has been that the Hill interests remain in undisputed control of the three vast railroad systems which now go under the name of the Hill properties, viz: The Northern Pacific, the Great Northern, and the Chicago, Burlington & Quincy, constituting in the aggregate, over 18,000 miles of railroad lines." [43]

THE NORTHERN PACIFIC RAILROAD

The Northern Pacific Railroad was chartered in 1864. By act of Congress of July 2 of that year, it was given the right of way through the public domain, the right to take from the public lands material for construction, and an immense area of public lands in Montana, Idaho and other sections of the Northwest. These enormous privileges and grants were given to it at the identical time when the Union Pacific Railroad and other land-grant and subsidized railroad companies were bribing Congress. As we have seen, the Union Pacific Railroad disbursed nearly $436,000 in securing the passage of the act of July 2, 1864, increasing the Government money subsidy granted to it and doubling its land grant.[44] Doubtless the passage of the Northern Pacific Railroad act was effected by the same means. In all, the Northern Pacific Railroad obtained about 57,000,000 acres of public domain.

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[42] Described in a previous chapter.

[43] "The Romance of the Railways," "Moody's Magazine," issue of July, 1908:17.

[44] Reports of Committees, Credit Mobilier Reports, Forty-second Congress, Third Session, 1872-73, Doc. No. 78:XVIII. Refer back to the second chapter on the Gould fortune.

By the definite terms of this act however, all mineral lands were expressly excluded from this grant, although the term mineral (to repeat an explanation already given) was later fraudulently construed, in the case of all land grants, not to include iron or coal. The Northern Pacific Railroad was, therefore, endowed with a land grant forty miles wide running across the continent, west of the Missouri River. This land grant included vast stretches of the very richest timber lands.

The ensuing history of the Northern Pacific Railroad was the same as that of all other railroads. It was plundered by successive groups of capitalists. One of the capitalists powerfully controlling the Northern Pacific Railroad for some years was Henry Villard, a man of remarkable character and enterprise. Different factions of capitalists fiercely fought him, and sought to oust him from the control of the Northern Pacific Railroad and other railroads in the Northwest. In his "Memoirs," Villard told of a formidable combination arrayed against him in 1889, composed of Hill and large financial corporations. Four years later Villard was accused by his opponents of having profited enormously from buying, in his individual capacity, "semi-worthless" railroads in Manitoba and elsewhere, and then "unloading" them, at exorbitant prices, upon the Northern Pacific Railroad, which, corporatively, he controlled. So far as the court records indicate the facts, these allegations seem to have been part of a plan to discredit Villard, and cause his overthrow; when the charges were passed upon by the courts, Villard was personally vindicated. But that the railroad's treasury had been looted by previous groups of capitalists was absolutely clear; contesting factions were continually charging the other with the responsibility for promotions, extensions and enterprises largely devised for the special purpose of appropriating large amounts in loot.[45] So contradictory and involved were these charges and recriminations that it was not easy to determine the relative, much less the absolute, truth. Certain of Villard's capitalist opponents were especially notorious for their evil records; so much so that charges coming from them were received with distrust and cynical skepticism, in general, and with dismissal, on the merits, from the courts in particular.

For years the contest to dislodge Villard from control was fiercely carried on.

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[45] Such charges were characteristic, as we have so frequently stated, of capitalist methods of warfare upon one another. Magnates in power were violently assailed so as to discredit and dislodge them. The spectacle was frequently presented of the "leading" and most "respectable" financiers ferociously denouncing one another as liars and thieves. These virtuous outbursts, it is needless to say, arose from no moral indignation; the ulterior purpose was to crush the other, if possible, and seize property and power.

GREAT SEIZURES OF MINERAL LANDS

During the time that various capitalists controlled the Northern Pacific Railroad the thefts of mineral lands were so extensive that both Congress and the State of Montana were constrained to investigate. The people of Montana were greatly agitated over the railroad's claim to lands containing the very richest gold, silver, lead and copper mines, particularly the great copper deposits for which Montana was famous. In fact, the people of the entire West were deeply aroused, for if the courts should finally sustain the action of the Northern Pacific Railroad, then all of the other Pacific railroads could likewise claim all of the mines and mineral deposits within their land grants, consisting of odd numbered sections. Already, in 1890, the Supreme Court of the United States had provisionally handed down a decision sustaining the Northern Pacific Railroad's claim that *only such mineral lands as were known to be mineral at the date of the land grant* were to be excepted from the land grant.

The trans-Mississippi Congress, meeting at Denver, in May and October, 1891, adopted resolutions declaring:

> WHEREAS, This dictum of the Supreme Court, if it should become law, would invest the Pacific railway companies holding grants of land from the Government with a vast number of the best mines discovered within the limits of said grants by prospectors and miners, who have located thereon in good faith and developed and sold therein in the honest belief that said grants were limited to agricultural lands only, as declared in the acts of Congress making them; and
>
> WHEREAS, The citizens of the United States have invested millions of dollars in the development of mines on said lands which have been discovered subsequent to the date of said grants; and
>
> WHEREAS, The consequences of this newly made construction of said grants must be the confiscation of private property and the spoilation of individuals in behalf of said railway companies on a scale so vast that history affords few parallels thereto, and to the bringing of actions to recover the value of ores heretofore mined from said lands, which, if successful, must reduce a large number of our citizens to want and beggary; and
>
> WHEREAS, If said construction of it becomes the law of the land, it will take vast regions of mineral land out of the market, either for future explorations or purchase, to the manifest injury of the people. Wherefore, be it
>
> *Resolved,* That the Congress protests against any construction of the statutes of the United States which will result in such a system of wholesale confiscation, and the consequent enrichment of great combinations already enjoying the bounty of the government, and calls upon the representatives of the people in Congress assembled to take such prompt and immediate action as may be within their immediate constitutional prerogative to destroy this threatened danger.

At the same time Martin Maginnis, Mineral Land Commissioner of Montana, reported to Governor Toole that the

> vast land grant of the Northern Pacific Railway Company stretches from the eastern to the western boundary of the State of Montana in one broad belt

> which, including indemnity lands, is nearly one hundred and twenty miles wide and over seven hundred miles long. The Congress which created this corporation gave to it one-half of the lands within these limits, carefully excluding all mineral lands, and emphasizing their reservation from the grant by giving to the company indemnity for such lands as might turn out to be mineral. Little prospecting had then been done; very little was known of the character of these lands. All the discoveries of mineral land had yet to be made, the mines upon them to be developed and these to be finally segregated from the land grant of the company, and the company recompensed therefor with other lands not mineral in their character.
>
> Nothing would seem to be plainer than the fact that the reservation went with and was part of the grant; and that future exploration, survey and classification would be necessary to define the non-mineral lands which would become the property of the company and the mineral lands which were reserved to be forever open to the prospector and the miner, under the mining laws of the United States.
>
> If the road could have been definitely located and built as rapidly across the continent as the charter was pushed through the Congress, it would have been left to the future to prove the character of the lands, and if the company at that time by virtue of a finished road claimed all the lands, surveyed and unsurveyed, unexplored and not prospected, that company would simply have taken them all; for the mineral discoveries have all been made since then. It was not until later that the audacious claim was set up that lands not then known to be mineral, or not known to be mineral at a certain date, were therefore not mineral, and by consequence passed to the corporation.[46]

Mineral Land Commissioner Maginnis then dealt extensively with the long delay of the projectors of the Northern Pacific Railroad in building the railroad—a delay, he wrote,

> by which it failed in one of the primal purposes of its creation, and in fairly earning that part of its endowment which was intended to secure its completion at least fifteen years before it came to us, who, while wearily waiting its advent, had occupied, subdued and partially developed the country without its assistance. It was never dreamed that the railroad company would set up at any time in its existence a claim to the mineral lands, which were excluded from the grant, in the granting act itself, by specific reservations intended to run with and be as perpetual as the grant itself.
>
> Congress had created no tribunal to decide which were mineral or which non-mineral bearing lands. It left that to the executive department, which has the control of the sale and survey and classification of all the public lands. A large portion of the land inside lines of the grant has never been surveyed or in any way examined, prospected or classified by the government. The labor and toil of the voluntary prospector and the miner has alone made known which are mineral districts and which are not.
>
> Suddenly the astounding claim was set up that all the portions of the country which had not been voluntarily examined by the individual prospector, acting under no agency of the Government but at his own expense, and therefore proven to be mineral at a certain date, were to be considered non-mineral and

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[46] Annual Report of the Mineral Land Commissioner for the State of Montana, for the Year Ending November 30, 1891. Helena, Montana, 1892:3-4.

> to become the property of the Northern Pacific Railway Company in spite of the fact that the charter itself said that such lands never should be, and that the company should take other lands in lieu thereof in order to make up the quota that it claimed.
>
> It would seem that neither in law nor equity could there be any warrant for such a claim, that the company could not obtain by indirection those lands that were directly reserved from the grant and held open to the prospector and the miner under the well-defined policies of the United States as laid down in its laws governing the disposition of mineral lands. But under certain constructions of certain cases in some of the courts, the company did set up its claims not only to the mineral lands but to the minerals which had been mined. It contested the applications for patents to mines upon odd sections and sued for the recovery of ores taken from the same.
>
> The people of the State became universally alarmed at a course which threatened such calamity to its interests and recognizing the fact that poor prospectors and miners, or rich ones either for that matter, could not successfully contest with such a powerful corporation, the State determined to make the cause of its people its own cause, and with that object in view, the Legislature passed the following law: [47]

Here followed the provisions of that law, the object of which was to safeguard the interests of the individual miners. Notwithstanding the passage of this act, the lower courts, many of the judges of which had been railroad attorneys, or who had been elevated to the bench by railroad influence, gave decision after decision in favor of the Northern Pacific Railroad. The chief opponents of this railroad were large copper corporations, such as the corporation controlling the great Anaconda copper mine, then valued at $25,000,000. These corporations had themselves obtained their mines largely by fraud. But individual miners and prospectors, in nowise connected with any fraudulent operation, were deeply stirred, and in turn the mass of resident people.

The House Committee on Public Lands of Congress took up the matter. Villard, as president of the finance committee of the Northern Pacific Railroad was busily in evidence with his attorneys. "Mr. Henry Villard," stated the report of Mineral Commissioner Maginnis,

> next engaged the attention of the committee. He also claimed that the company was now completely vested with the title of the disputed mineral lands. He considered that question as no longer open. The Supreme Court could only affirm the numerous decisions already rendered in favor of the railway company. The property rights of the corporation were beyond the reach of legislation; but he was anxious to have this controversy settled. It was injuring the road and the mining industry and he was ready to offer a compromise on the part of his company. He was authorized to submit a proposition to the committee: That the company would agree to this bill, to the survey and classification, and would deed back to the United States all lands so excepted as mineral: *Provided*, That the company should be recompensed therefor with other lands, either by the extension of present indemnity limits or by selection from the even as well as the odd sections within the grant.[48]

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[47] Annual Report of the Mineral Land Commissioner, etc., 5-6.

[48] Annual Rep., Mineral Land Comm., etc., 28.

The House Committee on Public Lands reported that the Northern Pacific Railroad had included in its land grant the richest and most extensively developed mines in Montana and Idaho. "Within this grant are also included millions of acres of land not yet entirely or at all explored for minerals but which . . . probably contain mineral deposits as valuable as any yet discovered." The railroad company, the committee set forth, claimed that the legal construction of the act of 1864 gave the company all lands within the grant, *not known to be mineral at the date of that act*, or at least at the date when the company filed the map of its route.

"This," the report went on, "seems to the committee a most extraordinary claim. . . . Many of the most valuable mines in Montana, and most all of those in Idaho, have been discovered since 1882. The company, not satisfied with its immense land grant and other special privileges given by the Government, now seeks, upon what is at best but a technicality, to take from those who have discovered and developed them, the very mineral lands expressly excepted from the grant." [49]

Meanwhile, however, the Northern Pacific Railroad had gained its point. While time was being consumed in talk and appeals from court decisions, this is what was done, according to Senator Pettigrew: "The whole force at Washington in the Land Department at Washington was engaged exclusively in rushing through these patents for the Northern Pacific, and I think, if you will look up the court records, you will find that the judge objected to an item of about $3,000 brought in by the receivers, which was paid to a very special friend of the Land Commissioner as an attorney fee to hasten the issue of these patents, and thus the Northern Pacific acquired title to vast areas of exceedingly valuable mineral lands in the States of Montana, Idaho and Washington. The Land Commissioner was no doubt corrupt in this connection, and there is no doubt that the Northern Pacific officials really purchased his activity in getting those patents.

"Afterwards," ex-Senator Pettigrew continued, "Congress passed a law, some time, I think, in 1898, providing for inspectors to inspect the lands along land-grant roads, and determine which were mineral, and which were not, so that mineral lands should not be patented after that date; but the mischief had nearly all been done." [50]

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[49] House Reports, Fifty-second Congress, Second Session, 1891-92, Vol. v, Report No. 1145:1-4.

[50] Related in a personal letter to the author. The fact that powerful members of Congress were, at the same time, paid attorneys for land-grant railroads, and acted in that capacity in Congress, caused the introduction of a bill in the United States Senate, on June 1, 1886, by Senator Beck of Kentucky, making it unlawful for any member of Congress to act as the attorney or agent for any railroad which had received a land grant from Congress. In the debate on his measure on June 22, 1886, Senator Beck urged: "Will any gentleman insist that any man who is the attorney of any railroad, any man who is retained in any way by any of these roads, when these great questions involving perhaps fifty or a hundred millions to the tax-burdened peoples of this country come up for consideration, shall advocate the interests

Pettigrew's statements, however, are disputed by friends of Villard claiming to have a knowledge of the matter. They deny that the Northern Pacific thus obtained patents. No patents, they assert. were obtained by the railroad or were granted to it during the prevailing agitation. They add that the Commission provided for by Congress was authorized to issue patents for non-mineral lands only. If corruption was used to get mineral lands under the pretext of being non-mineral, it is unlikely that Villard personally sanctioned it.

At approximately during this time the Northern Pacific Railroad, on August 15, 1893, went into bankruptcy.

On the plea that the railroad was in poor financial condition, the receivers cut the wages of the railroad's employees. These workers knew that they were being thus assessed to recoup the treasury of the railroad for a part of the immense sums robbed by financiers; however, they made no official complaint. But when a second curtailment of wages from 15 to 30 per cent. was announced, the workers decided that they would not tolerate having to suffer for the depleted condition of the railroad's treasury.

On numerous occasions, in the history of various railroads, the practice had been common of compelling the workers to make good whatever portion of the sums looted by the magnates they could be mulcted for by a reduction of wages. Yet there was not a single law to protect them, nor was there a judge, who, knowing and considering the circumstances, issued a writ preventing the reduction of wages. The law and all officialdom allowed the magnates to keep their booty. Whether the railroad went into bankruptcy or not, the law in no case restrained the magnates from reducing wages in order to make up the deficiency.

But the judiciary were quick enough to stretch the law illegally to forbid the workers going on strike. When the Northern Pacific's workers asked for a conference with the receivers, the latter assented. Clandestinely, however, attorneys for the receivers were drawing up a sweeping judicial injunction, which was presented to Judge Jenkins, of the United States Circuit Court, and signed by him, on the very eve of the arranged conference. The chief attorney in the authorship of this injunction and in applying for its enforcement was United States Senator Spooner. The injunction prohibited the men "from combining or conspiring to quit, with or without notice." It was followed by a supplementary injunction forbidding the workers from "ordering, recommending, approving or advising others to quit the service of the receivers."

The whole proceeding was so glaringly illegal that the Judiciary Committee of the House of Representatives was forced to investigate it. This committee reported that the injunction was in violation of a constitutional provision, an abuse of judicial power and without authority of law;" that Jenkins' conduct was "an oppressive exercise of the powers of

of the road whose money in the shape of retainers or fees he has in his pocket, keeping the fact concealed, professing all of the time that he is acting and arguing in the interests of the United States?" The bill failed, of course, to become a law.

his court, and an invasion of the rights of American citizens."[51] Aside from this denunciation, no punitive action was taken against Jenkins, Spooner, the receivers or any other of those inculpated. Meanwhile the injunction had done its expected service in terrorizing the workers and crippling the effectiveness of their strike.

Villard's control of the Northern Pacific was overthrown by a combination of opposing capitalists, and Hill gradually began to figure as the dominant owner. It is pertinent to note here that it was alleged that Maginnis was secretly in the employ of Hill's Great Northern Railroad at the very time Hill was reaching out for the Northern Pacific in which Hill became one of the largest stockholders and of which a son, James N Hill became Vice-President.

"LUMBER KING" WEYERHAEUSER'S FORTUNE

Although a considerable part of the Northern Pacific Railroad's timber areas had been sold, vast areas still remained in its ownership. These great stretches, it is hardly necessary to repeat, came into its possession as part of its land grant subsidy. One of the leading American multimillionaire fortunes, that of Frederick Weyerhaeuser, resulted from his purchases of Northern Pacific Railroad timber lands. He had emigrated from Germany when a youth, in 1852. Subsequent accounts of his career were sparse and conventional. They related how after working at saw mill jobs in Illinois, he had gone into the same business for himself, establishing himself later in St. Paul, Minn. where he built a residence next to that of James J. Hill. Before many more years America was made to realize that it had a "lumber king" in the person of Weyerhaeuser who joined the business of amassing tens of millions of dollars with the studious art of extreme reticence. The timber holdings of the Weyerhaeuser Timber Company expanded until they reached the enormous area of 1,945,000 acres, four-fifths of which were bought from the Northern Pacific Railroad Company.[52]

In 1900 a single block of 900,000 acres of timber lands was thus acquired at $6 an acre. In this main purchase the Weyerhaeuser Timber Company carefully selected the best of the Northern Pacific's timber lands in the western section of the State of Washington. Apart from its sales of a vast amount of timber lands to a subsidiary of the Amalgamated Copper Company, the Northern Pacific Railroad Company sold smaller yet important tracts to other large companies in many of which the Weyerhaeuser family and associates had heavy financial interests.

We have hitherto referred to the law enacted by Congress, on June 4, 1897—a law nominally for the benefit of settlers but containing a

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[51] House Report No. 1049, June 8, 1894, Second Session, Fifty-third Congress. During all of this time John S. Kennedy, "the great philanthropist," was one of the largest stockholders in this railroad.

[52] Report of the U. S. Commissioner of Corporations on the Lumber Industry, 1911, Part I:27.

"joker" allowing land-grant railroads as well as settlers to exchange land which fell within the boundaries of a newly established forest reserve for an equal amount of land elsewhere. Before, in response to public outcry, this law was repealed, the Northern Pacific Railroad had succeeded in relinquishing great areas of poor lands, receiving in exchange an equal area of the finest timber lands in other sections. Also, twelve years after the passage, on March 2, 1899, of the similarly devised act creating Mount Rainier National Park, came disclosures in the report of an official investigation as to what had been accomplished by grace of that law.

WEYERHAEUSER OWNERSHIP STUPENDOUS

"Under this Act," the Report set forth, "the railroad relinquished over 500,000 acres, obtaining in exchange heavily timbered lands in other portions of the Northwest, of which at least 300,000 acres were sold to the Weyerhaeuser Timber Company and to other companies in which the Weyerhaeuser family is interested. . . . The holding of the Weyerhaeuser Timber Company (including its directly owned and subsidiary concerns) is the second largest in the United States, amounting to 95.7 billion feet. . . . This holding, enormous as it is, includes only the timber directly owned by the Weyerhaeuser Timber Company and its subsidiary corporations. It does not include further very extensive timber interests of members of the Weyerhaeuser family and their close associates. This great holding, also, is nearly all being held off the market for the future rise in timber values." [53]

Weyerhaeuser was a director in both the Northern and the Great Northern Railroads. At his death, in 1914, his fortune was estimated in published accounts at $300,000,000, or thereabouts. Such computations are often inaccurate, but at any rate, his fortune was one of large proportions. He had four sons who had been in business with him; two later died, and the others succeeded him both in business and on the railroad companies, one becoming a Director of the Northern Pacific and the other of the Great Northern.

Extraordinarily little national notice was contemporaneously given to the Weyerhaeuser power and fortune, and even as late as August, 1930, when James W. Gerard, former Ambassador to Germany, listed one of the Weyerhaeusers as one of sixty-four men "who rule the United States" there was a dearth of published information regarding the annals of that family. Likewise so, in 1935, when the kidnapping of nine-year-old George Weyerhaeuser, a great-grandson of Frederick Weyerhaeuser, at Tacoma, Wash., brought that family's name into intense national prominence. For the return of the child a ransom of $200,000 was demanded. Friends of that branch of the family declared that although reputed as vastly wealthy, it had suffered heavy losses in recent years, and it would be difficult to raise the $200,000. However, it was raised and paid.

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[53] Ibid.: 25. Under this "forest-lien" legislation, the Northern Pacific Railroad Company was given the privilege of selecting lands in any State in which it extended, provided the lands were non-mineral. And well did it make its selection! It returned to the Government "a large amount of comparatively worthless land," and "obtained in exchange an equal amount of excellent timbered land." Ibid., 28.

MILLIONS OF ACRES STILL UNSOLD

With this digression into the Weyerhaeusers, we shall resume consideration of the Northern Pacific Railroad's timber land holdings. Dealing with these up to 1911, the Report already cited gave these particulars: "Notwithstanding the fact that the timber land which it [the Northern Pacific Railroad Company] now retains is thus but a remnant of its original holding, the company neverthless ranks third in the list of the country's timber owners." The Northern Pacific's remaining timber holdings, mostly in the State of Washington, was computed at 36.2 billion feet. And at the time that the report was made "lands are still being patented in large amounts, especially to the Northern Pacific."[54] Decade after decade the Northern Pacific Railroad Company continued to derive great revenues from its sales of land, but even after selling tens of millions of acres it still possessed more than 6,000,000 acres at the end of 1934. Much of these unsold lands are valuable for agricultural purposes, and some, it is believed, have oil-producing possibilities. Recently there was a Congressional inquiry as to the company's right to some lands, but the final result of that inquiry remains to be seen.

A 629 PER CENT DIVIDEND

The enormous profits derived by the Northern Pacific Railroad Company from the coal, mineral and other resources on its immense land-grant possessions were instanced by the distribution, in 1908, of what was called "a big melon." Hill was now both Chairman of the Board of Directors of the Great Northern, as well as by his large stockholdings in a prominent position in the Northern Pacific. At least, his power in the affairs of that railroad was large.

Through the Northwestern Improvement Company, a subsidiary, the Northern Pacific Railroad Company had carried on operations in large coal mines in Montana and Washington. These mines were in its land-grant and along its railway line. The Northwestern Improvement Company also dealt in land sales, irrigation works and other activities. So much money did it accumuate as surplus that on November 5, 1908, Northern Pacific stockholders received the announcement of a special dividend of $11.26 a share to be paid to them by the Northwestern Improvement Company. The total distribution thus made was $17,453,000 by a corporation with a capital stock of only $2,775,000. This was equivalent to a dividend of 629 per cent.

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[54] Ibid.: 26.

Nor, it may be added, did the showering of such benefits end then. For years thereafter the company paid a regular dividend of 4 per cent. Beginning in 1929 came another outflowing of special dividends: $3,500,000 in that year; none in 1930; $5,000,000 in 1931; $5,600,000 in 1932; $4,000,000 in 1933; and $2,500,000 in 1934. At this last named date the Northwestern Improvement Company owned 721,352 acres, including not only coal mines but a considerable quantity of iron ore.

Now, returning to the Great Northern Railroad:

According to Charles Edward Russell, who made a very careful study of the successive stock waterings of the Great Northern Railroad, Hill, Kennedy, Lord Mount Stephen, Lord Strathcona and other magnates drew a total of $407,000,000 profit from the manipulation of stock of the Great Northern. Russell stated that this sum was entirely exclusive of all dividends, interest and other emoluments. These, of themselves, reached enormous sums.[55] A committee appointed by the Minnesota State Senate, in 1907, to investigate the capitalization of railroads in Minnesota, reported that these railroads were capitalized at about $400,000,000, or about $50,000 a mile, whereas the actual capitalization, on an average cost of $27,000 a mile, should have been $215,000,000. The Great Northern Railroad, owning 2,040 miles of road in Minnesota, was heavily overcapitalized, the committee reported. The committee declared that the Great Northern had been making an annual profit of 16½ per cent estimated on a valuation of cost of construction and maintenance of $33,000 per mile.[56] The Northern Pacific likewise largely overcapitalized, had been deriving, it reported, an annual profit of 12½ per cent on an estimated valuation of $35,000 per mile.[57]

HILL LEAVES NEARLY $53,000,000

When James J. Hill died, on May 29, 1916, at the age of 78, numerous were the eulogies of him as an "Empire Builder." The value of his estate, as filed in the Probate Court, in St. Paul, Minn., in 1917, was $52,888,519. His widow's share was $16,668,000 and each of the nine sons and daughters received $3,704,000. Payments of a total of $1,535,000 in inheritance and income taxes did not, of course, seriously impair the fortunes inherited. Four years before his death, James J. Hill, feeling the weight of age, had installed one of his sons, Louis W., as Chairman of the Board of Directors of the Great Northern Railway, and this post Louis held until 1929 when he presented his resignation. His brother, James N., had retired in 1922 from the Board of Directors of the Northern Pacific Railway. Their father had advised them to get out of railroading as soon as they could after reaching the age of 40, and they thus eventually followed his advice although they were considerably older at the time of retirement.

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[55] "The Heart of the Railroad Problem," "Hampton's Magazine," May, 1909.

[56] Report of the Committee of the State Senate of Minnesota Appointed for the Purpose of Investigating the Value and Cost of Operation of the Railroads of the State of Minnesota: 14.

[57] Ibid.

Already, by 1927, the Hills had ceased to be the chief owners of the railroad systems controlled or swayed by their father. A list of stockholders made public in that year showed that Arthur Curtiss James, through the Curtiss Securities Company and the Curtiss Southwest Corporation, was the largest holder of Northern Pacific and Great Northern Railway stock with an ownership of more than 46,000 shares in each line. Arthur Curtiss James was a son of that D. Willis James mentioned in a previous chapter as a partner in Phelps, Dodge & Company, and succeeded his father as one of the leading figures in that concern, continuing as a Director—at least up to 1936—of the Phelps Dodge Corporation. The second largest individual stockholder shown by the 1927 list was the widow of John Stewart Kennedy, New York banker, who at his death in 1909, had left an estate then valued at more than $67,000,000. Among his possessions were 160,000 shares of Northern Pacific Railroad preferred stock. He left legacies of $30,000,000 to various public educational institutions, hospitals and religious organizations, mostly Presbyterian. These bequests were praised in a New York Times leading editorial as "an admirable picture of the nature of the man, his ideals, his interests, his mode of looking at life" and "his modesty and practical application of business judgment in this matter will surely not prevent his memory being cherished with deep respect and gratitude by those who understand the noble work he has done. . ." Abundantly more were such eulogies on the philanthropic ways in which he dispensed his wealth, but no word was said as to the actual means by which it was amassed. His widow, Emma B. Kennedy, owned, as shown by the 1927 list, 29,737 shares of Northern Pacific, and 21,147 shares of Great Northern stock. She died, in 1932, at the age of 97; of the $13,000,000 inherited by her from her husband's estate, she left a net estate of $9,798,304 which included large blocks of Northern Pacific and Great Northern stock. Her legacies to 53 religious, educational and charitable institutions amounted to $9,000,000.

Other large individual stockholders were the Bakers, New York bankers; George F. Baker owned 14,024 shares of Great Northern, and his son of the same name 15,000 shares of Northern Pacific stock. Baring Brothers & Company, Ltd., London bankers, owned 24,857 shares of Northern Pacific, and 12,323 shares of Great Northern. The Trustees under the Lord Mount Stephen settlement, Montreal, owned 11,054 shares of Northern Pacific stock, and Lady Margaret Strathcona 8,000 shares of Great Northern stock. Various firms, banking, brokerage and trading in New York, London and elsewhere held other large amounts of stock in either or both of the two railroad systems. The 20 largest holders of Northern Pacific railroad stock owned 300,008 shares, or 12 per cent of the 2,480,000 shares outstanding, and the 20 largest holders of the Great Northern Railroad owned 239,367 shares, or not quite 10 pe cent of the 2,496,205 outstanding shares. The essential controlling powe of such ownership was, however, manifest, considering that, for instance, of the nearly 38,000 Northern Pacific stockholders, the average holding was only 67 for each shareholder.

THE HILLS PASS OUT

The Report, in 1931, of the Interstate and Foreign Commerce Committee of the House of Representatives further showed the relegation of the Hills as extensive railroad stock owners. Their name did not appear in the listed eight large individual or family holdings of railroad securities. Within less than a generation after the death of James J. Hill, lauded as a great railroad constructor, the railroad which he promoted and that in which he became a powerful owner were dominated by several New York bankers and capitalists by reason of their concentrated large stock holdings. At the date of this report, George F. Baker and his son owned 23,400 shares of Great Northern stock preferred and 21,000 shares of Northern Pacific stock. Arthur Curtiss James owned 52,850 shares of Great Northern, and 52,716 shares of Northern Pacific stock. James was, in fact, the largest single owner of railroad stock in America; he also possessed, among a list of other railroad securities, 51,000 shares of Southern Pacific, and 349,790 shares of Western Pacific Railroad stock. But as the current quotations of Western Pacific stock were at a very low figure, the value of the total of his more than 500,000 shares was considerably less than that of the 490,000 shares of stocks owned by George F. Baker and his son in seven railroad systems.

Some few observations may here be properly pertinent and instructive.

The inevitable burden of this work, as is too painfully obvious, has been the frauds and lootings by which many great fortunes were built up. This is not so because the author, in the perverseness of his heart has formulated it so, but because these are the inescapable facts. But why, query certain querulous critics, schooled in sycophantic standards, "enlarge upon the dark side of the picture? Had not all of these men their good points, their kindly streaks, their capacity for some doing of service for their fellow men?"

Be it known that the frauds and plunderings herein described, great and continuous as they have been, are far from being the complete story; for every one fraudulent transaction accidentally coming to public notice, scores of such transactions have unquestionably gone down into the sewers of time, unvisited by a ray of daylight.

This, it is unnecessary to say, is palpably no history of personal traits, dispositions or temperaments; it is a narrative of the means whereby properties have been acquired, and great fortunes possessed. But the academician, strong in the audacity of his soporific mediocrity, may say, "This is no history; it lacks dispassionate style." If "dispassionate style" consists of a dull string of dates, names and phrases, with no glimpses of the roots of matters, nor a clear interpretation of causes and events, then this work does certainly want "dispassionate style," and well it is that this defect is there. Who, indeed, does not know that there is no more effective medium for inventing, telling and perpetuating falsehoods than this same so-called "dispassionate style"? A heightening and an emphasis of certain tissues of fact, a slighting concealment of other facts, and behold! the trick is done.

Finally, there have been those who rushed forward to press this question: "Did not the founders and perpetuators of the great fortunes have their good qualities?" The question is arrant superfluity; so they have had and have. But do the good people who are so solicitous on this score ever think of making the same interrogatory as to the hundreds of thousands of slum dwellers, or of the great numbers of convicts in the United States? Is any consideration or extenuation demanded for *them?* For the poor, the wretched, the degraded everywhere? And yet the crimes for which petty malefactors are punished are not a thousandfold as criminal as those committed by the founders and holders of wealth; even solitary murder lapses far into insignificance compared to the never-ending catalogue of the mass of indirect murders brought about by the greed for profit and wealth.

EPILOGUE

To detail the story of the acquisition of other great American fortunes, would, even if presented in the most compact way, require a whole series of further volumes.

The important facts alone of the fortunes derived from the Standard Oil Company—the Rockefellers and the associated lesser but large fortunes such as the Flagler, Archbold, Harkness, Rogers and others—would, at the very least, fill a large volume. This company was a generator of multimillionaires. The ways by which the power and wealth of the Standard Oil Company, formed in 1870, were built up were set forth in many an official investigation in the past, the whole making a narrative of the debauching of politics and law-making bodies, the frequent control of the judiciary, defiance or circumvention of law, obtaining of secret rebates from railroad companies, ruthless crushing of competitors, and arrogation of monopoly. The Standard Oil Company was the first trust devised, and its example was followed by many other industrial organizations.

Soon after its formation, the Standard Oil Company adopted the method of bringing persuasion or pressure to bear upon railroad owners to discriminate in its favor in giving low freight rates. This, in 1878, moved William H. Vanderbilt to declare before the New York Legislative Committee Investigating Railroads that if the policy continued, the Standard Oil Company interests, with the enormous profits they were making, could soon own the railroads of America. This apprehension or prediction turned out to be considerably true.

Public agitation was furious, for the doctrine that free competition was the life of trade was then deeply rooted in the popular mind. In the West and Southwest the Farmers' Alliance, and in the East the Knights of Labor, demanded legislation against monopolies and railroad favoritism. Likewise the large number of small manufacturers and dealers. In response, State after State enacted laws which, of course, had no jurisdiction outside of State boundaries. But to prevent even such laws from being enforced, public officials were subsidized and political organizations corrupted. Then came a popular demand for a national law; resolutions and memorials denounced trust oppression and the acts of "arrogant millionaires" and "plutocratic nabobs." The Interstate Commerce Commission was established in 1887 to propitiate public opinion demanding a regulatory power over railroads, but its powers were long weak.

In introducing his bill for the suppression of trusts, Senator John Sherman, in 1890 related how "the popular mind is agitated with problems that disturb the social order, and among them none is more threatening than the inequality of condition, of wealth and of opportunity that has grown within a single generation out of the concentration of capital into vast combinations to control production and trade and to bring down competition." Various powerful members in the United States Senate at that very time were either Standard Oil beneficiaries or lawyers who had represented great corporations. Congress passed the Sherman Anti-Trust act which declared combinations in restraint of trade illegal. But as the law contained only a slight penalty, making a mere misdemeanor of the act of monopolizing products, it did not in the slightest degree prove a deterrent.

"THE POLITICS OF BUSINESS"

The Sherman Anti-Trust law as well as other laws were indifferently brushed aside by the magnates rushing forward to organize trusts; only a year after the enactment of the Sherman Anti-Trust law, the Havemeyers and associates formed the American Sugar Refining Company, a combination of one hundred and twenty-one plants. From their sugar refinery, that of Havemeyer & Elder, the Havemeyers had already become multimillionaires, and their fortune and the fortunes of their associates were enormously enhanced by the inordinate profits of the Sugar Trust. While the Rockefellers and their colleagues ever maintained a policy of profound silence, acknowledging nothing and disclosing nothing, Henry O. Havemeyer frankly, realistically admitted before a special committee of the United States Senate, in 1894, that trusts, railroad companies, corporations of all kinds, and rich individuals periodically contributed large amounts for campaign election purposes; such "politics of business," he testified, was the custom of "every individual and corporation or firm, trust or whatever you like to call it." Always in State campaigns, he further testified, the dominant party received the contribution.

This corruption was widespread and continuous. In return, official favors and immunity from molestation, or at any rate from serious prosecution was expected—and was given. And in such cases as disclosures and the indignation of public opinion forced officials to take some action, the result did not inconvenience the money magnates. This fact was illustrated by many cases, one of which is here to the point. In a previous chapter we have passingly referred to the great custom-house frauds committed for the benefit of the combination called the Sugar Trust, but now that we are specifically touching upon the origin of the Havemeyer and other fortunes from that industry, an extensive elucidation is called for. Under the caption "Frauds upon the Revenue," the 1909 Annual Report of the Attorney-General of the United States (pp. 11 and 12) gave this account:

THE SUGAR INDUSTRY AND FRAUD

"An investigation was undertaken during the year 1907 into certain alleged frauds upon the Government in the underweighing of sugars imported into the United States by the American Sugar Refining Company and its predecessor, Messrs. Havemeyer & Elder. This investigation resulted, among other things, in a suit by the United States against the American Sugar Refining Company based upon proof of systematic frauds practiced in the weighing of sugars on the docks of the Havemeyer & Elder refineries in Brooklyn, N. Y., between the years 1901 and 1907."

As a matter of fact, it may be interpolated, the Custom House records published by the Sun of New York—then a morning newspaper—on November 11, 1909, showed that the frauds had been going on for at least two decades. The Sun's front-page, nine-column article, running over to the second page, giving the evidence began: "The Sugar Trust has stolen boldly and enormously, as the subjoined article shows, from the United States Treasury for at least twenty years. It stole with the assistance of officials employed by the United States. It was nursed and protected in its stealings by powerful politicians. . . Those who knew that the Sugar Trust was a thief and who sought for legal proof in the Custom House records were referred to the thief itself. . . . The facts show that the Sugar Trust could not have stolen upwards of $30,000,000 without the cognizance of Treasury officials and the patronage of politicians. . . . It stole from 5 to 10 per cent of the duty on every cargo. . . . The Sugar Trust's power was such that it secured a special rate of estimating duties. This enabled it to juggle figures in the New York Custom House. . . . Shippers of sugar the world over knew of this robbery. Carriers knew it. Weighers knew it. Officials within the Custom House itself must have known it. The Sugar Trust silenced revelations." Further, the article declared, the $30,000,000 that the American Sugar Refining Company had stolen in 20 years had been done "with the assistance and connivance of powerful and petty politicians," including men of both of the old political parties who "shared in the plunder."

Returning to the U. S. Attorney-General's Report we find this record: "The evidence in the suit revealed a long-continued system of defrauding the Government, of unparalleled depravity." The Government obtained a judgment. This resulted, late in April, 1909, "in the making of a compromise whereby the company paid to the Government the amount of the judgment of $134,411.03, and in addition the sum of $2,000,000, on account of duties fraudulently withheld by it on account of shortweighing of sugar imported by the American Sugar Refining Company of New York and the American Sugar Refining Company at the Havemeyer & Elder Refineries in Brooklyn or at its Jersey City refinery. This compromise was approved by the Secretary of the Treasury and by this department, and was accepted in full settlement of all *civil* liabilities. . ."

GREAT THEFTS COMPROMISED

In its article the Sun ridiculed the trivial judgment thus accepted from a corporation captialized at $90,000,000. It pointed out that the Federal District Attorney, in his opening address to the same jury which accorded the judgment, had declared that the Government could have asked for a far greater sum on Custom House entries in the previous three years, a period not covered by the statute of limitations. For it was upon this statute that the American Sugar Refining Company was able to base its main defense against full restitution. Even so, the Sun article stated, counsel for the company had informed its directors that a total of $9,000,000 could have been demanded.

But what of criminal proceedings? In making the settlement the Government had expressly reserved the right to prosecute all individuals responsible, "even" went on the U. S. Attorney-General's Report with a deferential tone, "if such individuals were officers of the company." His report continued: "The evidence has disclosed a network of corruption, not confined to the American Sugar Company, extending over a period of years, affecting both importers and officers of the Government, and it is as yet premature to state the precise extent of the conspiracy or the amount of the revenue of which the Government has been defrauded." Yet he feared "that the statute of limitations may have run in favor of many of the malefactors who are responsible for these frauds."

But who in this case were criminally prosecuted and were convicted? A few employees. Henry O. Havemeyer had died in 1907; besides dominating the sugar industry he had been a power in the world of finance as a director of the National City Bank. But other directors and officers of the American Sugar Refining Company could have been reached by law. Not one was incommoded by a criminal process, and the Sugar Trust kept on its flourishing way deriving continuous great profits from a high tariff and from secret low freight rates from railroads enabling it to overreach competitors. And, of course, there were the usual trust stock waterings and manipulations.

Public agitation kept demanding punishment of the "men higher up" in the Sugar Trust responsible for the frauds practiced upon the Government. The principals of the American Sugar Refining Company were, obviously enough, a matter of record, but in a singular expedition purporting to be an effort to find out the identity of the chief culprits, a House of Representatives investigating committee, in 1911, incidentally brought out information as to stock juggling. The head of a nominally separate but subsidiary company of the American Sugar Refining Company testified that he himself had issued $10,000,000 of the common stock of that company to Henry O. Havemeyer without any cash consideration. Havemeyer lived in a spacious Fifth Avenue mansion and became renowned as an "art connoisseur and collector." There was considerable mystery about his will; his lawyers filed only a memorandum and not the will itself; evidently they wanted to withhold from the public the amount of the actual estate he left. The only information given was that the will contained no public bequests; that the entire estate was given in trust for the benefit of his three children; and that $50,000 yearly was given to his widow during her life. A valuation of his estate, made in 1910 by State Appraisers, showed that the value of ascertainable property in his possession at the time of his death was $14,500,000. His family presented his art collection to the Metropolitan Museum of Art. These are only a few illuminating facts regarding the sugar industry and its developing trust from which a number of multimillionaire fortunes have come. In World War and post-World War years when, as we have said, there was widespread great profiteering, the American Sugar Refining Company's dividends on its common stock ran from 8½ to 10 per cent.

LAW BRUSHED ASIDE

Trust magnates were superior to law and could well afford to contemplate it with disdain. More anti-trust legislation enacted by Congress in years subsequent to 1890 did not accordingly retard the organization of a host of industrial trusts. Between 1894 and 1901, hundreds were formed with an aggregate capital of $4,000,000,000. And even if, prompted by great public agitation, the Government did make a brave show of bringing criminal proceedings, the highest court found a way of "interpreting." In particular, in a suit against the Standard Oil Company, the Supreme Court of the United States applied what it termed the "rule of reason;" to prove a trust criminal, the ruling held, it was necessary to prove it "undue" or "unreasonable." As for the civil aspect the consequences of decisions caused some rearrangement of trust construction but neither impaired power or revenues. A way was easily found of continuing with the components as legally distinct but all remaining under the ownership of the same men or interests. Before the decreed dissolution of the Standard Oil Company in 1911, it had yielded gigantic total sums in dividends. How did dissolution and the resolving of one company into a group of companies affect the revenues? From the dissolution to the end of 1927, according to compliations made by Dow, Jones & Company, leading stock-market statisticians, the dividend distributions of the group of Standard Oil Companies totalled $3,297,140,707. Of this sum $1,909,061,462 was in cash, and $1,388,079,245 in stock dividends.

At its maximum the fortune of John D. Rockefeller, the principal of the Rockefeller brothers, perhaps exceeded $1,000,000,000. After devoting all of his energetic years to acquisition, he had personally retired from business. Storms of denunciation had been leveled at him; his corporation and his methods had been an endless target of attack. He had surmounted proddings which would have made a nervous wreck of many men. His endurance was such as to sustain a vitality which, with the most careful ministrations, prolonged his life decade after decade until now he is approaching the centenarian age.

A CHANGE OF TECHNIQUE

Before about the year 1910 money magnates, battling with much hostile opinion, believed in the corrupt use of money to overcome it. To procure necessary legislation, to strangle inimical legislative proposals and to circumvent such laws as were enacted, indirection based upon the distribution of masses of money was depended upon. Lobbies, flush with funds, were maintained at legislative centers; their operations provoked such scandals and finally became so offensive that laws were passed in an attempt to regulate them. The subsidizing of a portion of the newspaper press and magazines was a regular procedure.

There now came a notable change of technique on the part of a number of corporations. Jerome D. Greene, a Rockefeller spokesman, thus put the case in his testimony before the U. S. Commission on Industrial Relations, on February 2, 1915: "But as to publicity, there are two meanings to that word, Mr. Chairman. The word has been given quite a black eye, chiefly because of a discredited method of publicity. I am referring now to the method of ingratiating the public and winning over the support of newspapers either through the publication of advertisements, which may be thought to bring pressure on the expression of editorial opinion, or by the deliberate buying up of editorial and news space, if that is possible. Suspicion that that has been done has undoubtedly existed in the United States. Now, that method of publicity has been entirely discredited and its place has been taken in the enlightened usage, I think, of most of our corporations by a method of frankly stating the facts from an interested point of view of the corporations. . ." Greene added that "the chief exponent of that honest, candid and fair method of publicity . . . is Mr. Ivy L. Lee."

"PUBLIC RELATIONS COUNSEL"

The Commission examined Lee at great length, and much testimony was brought out as to his varied activities and the retainers from corporations which he drew. The fact emerged that he was one of the most industrious of the high-salaried propagandists invested with the impressive appellation of "public relations counsel." This term seemed to carry the implication that the corporations were fully taking the public into their confidence and appealing to its good will and fair judgment. But the Commission's Final Report ridiculed the claim that certain "literature" thus distributed by a central bureau was fair publicity. It was entirely partial, and some of it the Commission denounced as not only untrue and misleading but contained—in one noteworthy instance involving a strike in Colorado—a positively malicious and libelous assertion regarding labor unions.

More facts as to Lee's activities came out in a hearing before a U. S. Senate Sub-Committee on Naval Affairs, in 1929-1930. According to the testimony of William B. Shearer, a paid propagandist for war-shipbuilding corporations, the Council of American Shipbuilders considered that the pacifist influence in America had become too great, and so had hired Lee to counteract it, paying him $150,000 for his services in spreading publicity. These were only some of Lee's manifold activities which, in his later years, included services for some foreign Governments. In the systematic campaigns carried on in America by multimillionaires and corporations to modify or otherwise shape public opinion great sums were spent.

MAGNATES TAKE ON A NEW CHARACTER

Meanwhile, a number of leading millionaires gave themselves a new character—that of humanitarians and philanthropists. This they did by establishing Foundations. One of the first to enter this field was Andrew Carnegie, to whom we have had occasion to refer in a previous chapter. This leads us to say that even a compressed account of his concern, Carnegie & Company, and the wealth it brought to him, and, in a lesser degree, to Frick, Schwab and others would of itself require numerous chapters. One source of that wealth was underpaid and overworked employees—a system leading, in 1892, to a great strike at Homestead, Pa. Armed Pinkerton detectives utilized by the company provoked slaughter. Another factor enhancing the wealth of Carnegie and associates was a high tariff, and a third the secret low freight rates granted by railroads.

Called as a witness, Carnegie informed the U. S. Commission on Industrial Relations, on February 5, 1915, that "in pursuance of my decision to cease accumulation and begin distribution of my surplus wealth," he had retired from business in 1901. This, he should have added, was the time his plant was merged in the United States Steel Corporation. He related how he had given many millions in gifts and pensions to his workmen, $24,000,000 to the Carnegie Institute of Pittsburgh, and other large sums in other directions. The Carnegie Corporation of New York had been chartered in 1911 to aid schools, libraries, scientific research and similar purposes. Despite the huge sums which Carnegie gave for such endowments, his net estate at his death, as shown by an appraisal in 1920, was $23,247,161.

John D. Rockefeller had, on May 14, 1913, incorporated the Rockefeller Foundation chartered to promote schools, libraries, scientific research and assist educational institutions. His original gift to this institution comprised securities then having a market value of $100,000,000. Further, he established a group of other Foundations, all heavily endowed. He himself gave this explanation to the U. S. Industrial Commission: "The sole motive underlying the various Foundations which I have established has been the desire to devote a portion of my fortune to the service of my fellow men." The Commission's Final Report presented conclusions which gave aspects different from the rather widely prevalent view which regarded the Foundations as wholly grounded upon philanthropic principles. For impinging upon the passing older generation which had been shocked or outraged by the acts of big wealth seekers, a new generation largely unfamiliar with those enormities had come. Such men as Carnegie and Rockefeller stood out to many, by reason of huge sums of money donated, as collossi of benevolence and philanthropy.

ASCRIBED SOURCE OF THE FUNDS

"The funds of these Foundations," the Final Report stated, "are largely invested in securities of corporations dominant in American industry. . . . The policies of these Foundations must inevitably be colored, if not controlled, to conform to the policies of such corporations The funds of the Foundation represent largely the result either of the exploitation of American workers through the payment of low wages or the exploitation of the American public through the exaction of high prices. . . . The power of these Foundations is practically unlimited, except that they may not directly engage in business for profit. . . . Foundations are subject to no public control, and their powers can be curbed only by the difficult process of amending or revoking their charters. . . . The extent of the possible influence [in shaping education and opinion] of these Foundations . . . is shown by a large amount of evidence in the possession of the Commission." Examples were cited of "a degree of control over the teachings of professors in our colleges and universities which constitutes a most serious menace." In a separate memorandum two members of the Commission declared that "many of these endowments in private hands have a beneficial effect" but they recommended a "Federal Fund for Social Welfare in order that the Nation may compete with or displace private Foundations in this vital matter."

A survey of Foundations in America made in 1931 showed ninety-one, with capital resources then aggregating $800,000,000, of which $673,000,000 was concentrated in New York City. The resources of the various Rockefeller organizations were placed at $250,000,000, and those of the Carnegie organizations at $237,000,000. In a single year the ninety-one Foundations had disbursed $52,000,000.

ROCKEFELLER WEALTH

John D. Rockefeller, Sr., had long since turned over his securities and estates to his son of the same name. On more than one occasion in public addresses John D. Rockefeller, Jr., had depreciated the effect of great money inheritances and the value of money as judged by the much greater importance of humanitarian needs. He has been, in fact, a man of deep religious convictions and personal kindliness. But the conditions surrounding him apparently left him with no alternative but to hold on to the wealth entrusted to him. The extent of the wealth held by him in oil companies alone was shown by the records of the Securities and Exchange Commission early in 1935. The law establishing this body requires statements from large holders of stocks. At the end of November, 1934, John D. Rockefeller, Jr., held a total of 10,181,020 shares of common stock in the Standard Oil Company of California, the Standard Oil Company of New Jersey, and the Socony-Vacuum Company, leading units of that industry. At that date the market value of these stocks was in the vicinity of $245,000,000. His statement listed himself as the "beneficial owner" of more than 10 per cent of the stock of the three companies, and further informed the Commission that he had "transferred" 1,592,400 of the shares, but did not specify to whom.

But his cousin, Percy A. Rockefeller, could not bear money losses brought about by the great industrial depression commencing in 1929, and sold stocks "short" in the aim to recoup himself. This Rockefeller was a son of William Rockefeller, a brother of John D. Rockefeller, Sr., and an associate in the original promotion and later rulership of the Standard Oil Company. By force of inherited wealth he became one of America's leading industrialists and financiers; at one time he was a director of fifty-one corporations. The "short" selling of stocks caused a great public scandal. Summoned as a witness by the U. S. Senate Committee on Banking and Currency, investigating stock exchange practices, he defended his course. The "tremendous depreciation" since 1929, he testified, had cost him a great many, many millions; he needed money; and, he declared, his "short" selling had netted him only $550,000 which sum, he stated, was slight compared to his "tremendous losses."

Members of the Rockefeller family married into other plutocratic families. The narrative of these connections and of the origin of the associated great fortunes would necessitate many chapters.

WHERE THE DUKE RICHES CAME FROM

In the years since 1933, Doris Duke has figured much in publicity as the "richest girl in the world." Although this description is perhaps superlative, the wealth inherited by her is great. She is the daughter of James B. Duke who, after giving away $40,000,000, left an estate appraised, at the time of his death in 1925, at more than $101,000,000. By the terms of the will, a third of her inheritance was to be turned over to her when she was 21—which was in 1933. She was to receive half of the remainder when she reached the age of 25, and the balance five years later. In 1927 her share was appraised at $53,000,000, but the downward course of the prices of securities during the depression reduced the sum—for the time being at any rate.

This was one of many multimillionaire fortunes from the tobacco industry. The casual reference to Duke in an earlier chapter and some facts there given as to the operations of the Tobacco Trust, is but a small part of a great amount of data, an appropriate account of which would fill a quarter of a volume. The Duke family (W. Duke, Sons & Company) started as manufacturers of cigarette tobacco. They, with four other cigarette manufacturers, launched in 1890, a combination called the American Tobacco Company, with a capital of $25,000,000 largely watered stock, or as the U. S. Commissioner of Corporations reported, "an amount vastly in excess of tangible assets." James B. Duke was made President of this company which at its inception secured control of 90 per cent of the cigarette business in America, making in its first years more than $4,000,000 annually—"very large average profits," reported the U. S. Commissioner of Corporations. The American Tobacco Company then extended its domination over other branches of the tobacco industry, consolidating and merging other concerns, eighty-six in all. The total capitalization of the American Tobacco Company was run up to $235,000,000.

The full story of the huge profits, the issuance of large stock dividends in addition to ordinary dividends, the inflation of stock issues, the manipulation of stock and other methods filled 475 pages of the report of the U. S. Commissioner of Corporations in 1911. Meanwhile, then as later, as official reports showed, most of the small tobacco growers in America had the hardest time making a bare living; the sums paid to them for their product were beaten down to the scantiest prices. Their lot was distressing. In 1911 the Supreme Court of the United States ordered the dissolution of the Tobacco Trust, but as in the case of the Standard Oil Company, its components rearranged their position and kept on flourishing.

DUKE PERPETUATES HIS NAME

Already, by 1905, James B. Duke was noted as "the Croesus of the tobacco trade," and rated a lofty multimillionaire. He then began the construction of a million-dollar palace on an estate of 2,500 acres bought by him near Somerville, N. J., and on the improvement and adornment of this estate he spent more great sums, reported at perhaps $2,000,000. Other multimillionaires had, by the sheer outlay of money, glorified and perpetuated themselves as philanthropists by establishing institutions bearing their names. But such institutions were new. James B. Duke went a long step further. In 1924 he set aside a $40,000,000 fund in securities for the benefit of Trinity College, at Durham, N. C., on condition that it change its name to Duke University; if it declined, the fund was to be used in creating a new institution. The offer was not declined, and in recent years Duke's money has been used to erect a great group of new buildings at Duke University. There was wide and severe criticism of Duke's action but it passed away, and in 1934 the Dean of Duke University Medical School was able, without contradiction, to laud James B. Duke as a great philanthropist whose aim was to uplift mankind. Benjamin N. Duke, a brother, died in 1929, leaving a multimillionaire fortune.

BECOME WEALTHY BECAUSE THRIFTY”

The instances given in this Epilogue, following the amplification in the chapters, are but a few of a large number showing the actual processes by which great fortunes have been amassed. Yet when Daniel Guggenheim was questioned by Chairman Frank P. Walsh, at a hearing of the U. S. Commission on Industrial Relations, on January 21, 1915, as to wealth possessors, he thus explained the source of their wealth: “These men and women have become wealthy because they have been thrifty. In America I think we can assume that the most of those who have become wealthy in the last ten or fifteen years have been thrifty.” This was gravely told to a Commission, the members of which were exceedingly well informed on a multitude of recent reports of investigating committees disclosing the realistic facts. And in a rather similar way, Julius Rosenwald, head of Sears, Roebuck & Company, declared in an interview in 1930 that 95 per cent of the great fortunes were “due to luck.” Rosenwald’s estate was estimated at $50,000,000.

Apart from their profit in ordinary times, the profits of all kinds of corporations in war and post-war times were extraordinary, and as a business man Rosenwald thoroughly knew, of course, that fortunes were based upon profit and that many a fortune had been further vastly swollen by flagrant profiteering. Only a few years before Rosenwald uttered his dictum, the Federal Trade Commission had, in a series of reports, exposed war-time profits, and this information widely published in the newspapers was a matter of common knowledge. The average rates of net income on investment of four of the most important successor companies of the old American Tobacco Company ranged from 1916 to 1920 from 12½ to more than 21 per cent, and these high returns were kept up “in spite,” stated the Federal Trade Commission “of extensive declines in leaf tobacco prices.” Similar outrageous profiteering by corporations dealing in anthracite coal, lumber, meat products, steel and various other commodities was specifically recorded by the Federal Trade Commission.

GUGGENHEIM SOLIDARITY

Some of the Guggenheim and Rosenwald wealth was used to endow Foundations named after them. The narrative of how the great aggregate wealth of the Guggenheims was amassed would require a series of chapters. Briefly, a few facts may be here mentioned. The founder was Meyer Guggenheim who had come to America as an immigrant. Successively he made and vended stove polish, and manufactured embroideries. As they grew up all of his seven sons became associated with him in the smelting business in which he later embarked.

In its unity of purpose and solidarity of interests the Guggenheim family resembled the Rothschilds. In 1899 they organized the American Smelting and Refining Company which acquired gold, silver, copper, lead, nickel and other mines and smelting plants in the United States and elsewhere, chiefly Mexico. They rapidly became multimillionaires, and in 1907 Simon Guggenheim was elected a United States Senator from Colorado. Facts brought out before the Ways and Means Committee of the House of Representatives showed the profits of the American Smelting and Refining Company to have been $8,000,000 in 1905, $10,000,000 in 1906 and $7,000,000 in 1907. Charges were made in 1910 by United States Senator Bristow that in Congress tariff rates on lead had been manipulated in favor of the "Smelter Trust." The individual Guggenheims, as testimony before the U. S. Commission on Industrial Relations in 1915 showed, had extended their financial interests to include a great variety of industrial, transportation and other corporations. In 1930 announcement was made of the consolidation of a $375,000,000 company of all of the vast nitrate deposits in Chile, the Government of which owns 65 per cent, and the Guggenheim interests the remainder. In this company both the Chilean Government and Guggenheim holdings were included. As for the American Smelting and Refining Company—at this writing Simon Guggenheim is its head—it is rated as the largest corporation of its nature in the world, and it has a group of twenty-one subsidiary companies. These are but a few items, not omitting patent matters and litigation indicating the development of the Guggenheims' fortunes.

ASCENT OF THE MELLONS

A few years ago the Wall Street Journal classed Andrew W. Mellon as one of the four richest Americans. In the decades when the Rockefeller and other great fortunes were being heaped together and great publicity was devoted to them and their acts, hardly any attention was given—at least outside Pittsburgh—to the Mellon family. In Wall Street financial books dealing with capitalists thirty years ago not a mention was to be found of the Mellons.

Here, again, an adequate narrative of the elaboration of means by which the Mellon wealth was acquired would fill many, many chapters. It would begin with the establishment by Judge Thomas Mellon of a private bank, T. Mellon & Sons, in Pittsburgh. In this bank Judge Mellon clustered a variety of interests, and left his fortune to his three sons, Andrew W., Richard B. and James Ross. Soon after the year 1900 Andrew W. Mellon formed the Mellon National Bank. He himself recently told some of the story of his rapid ascent to great wealth. This occurred at a hearing in Pittsburgh before the Board of Tax Appeals, in 1935. One of the Pittsburgh banks in which he had become a director was the Fidelity Trust Company. This organized the Union Trust Company to do a "reciprocal business," and Andrew W. Mellon was made its President. From an original capital of $100,000, the Union Trust Company expanded until it became a $300,000,000 institution. Such was the outline given by Mellon, but the ways in which this aggrandizement was accomplished were not detailed, and the analysis of them would make a long account.

DELUGES OF PROFIT

At the same hearing facts were produced giving another instance of how expeditiously the Mellons amassed wealth and ever a stream of more wealth. Andrew W. and Richard B. Mellon had launched the huge Aluminum Company of America—called the Aluminum Trust—the transactions, operations and profits of which would alone cover several chapters. Two engineers, McClintic and Marshall, recently graduated from Lehigh University, presented the plan of a steel-fabricating plant at Pottstown, Pa. The two Mellon brothers each agreed to invest $75,000, keeping in return 60 per cent of the stock of the McClintic-Marshall Construction Company, capitalized at $250,000.

So much money did this company make and so fast that in thirteen years its profits enabled it to increase its plant capacity six times; it acquired a string of subsidiary corporations which it owned partly or wholly; by 1930 it had assets of $64,000,000; and during a series of years it paid its four stockholders upwards of $8,000,000 in dividends prior to its purchase in 1931 by the Bethlehem Steel Company. The Mellons' share of the purchase price was $12,600,000. On an investment of $150,000 they had made—so the figures as reported evidenced—more than $17,000,000.

But these details were merest fragments of the whole story of the vast network of banks and corporations of many kinds from which great revenues flowed into the Mellon strongboxes. The Aluminum Cooking Utensil Company, the Aluminum Seal Company, the Gulf Oil Corporation and other oil producing and refining companies, coal and coke, water, electric power and other companies—these were in the extensive list.

Andrew W. Mellon became Ambassador to Great Britain, and served as Secretary of the Treasury under Presidents Harding, Coolidge and Hoover. It was after a different political administration, that of President Franklin D. Roosevelt, came in power that the Bureau of Internal Revenue charged a deficiency of $3,000,000 in Andrew W. Mellon's income tax return for 1931, and the hearing above referred to was an appeal from that finding. At this hearing his own financial secretary on February 25, 1935, testified as follows: That in his income tax returns this former Secretary of the Treasury had ignored a rule which was promulgated during his tenure of office and which he himself had approved in 1929—a rule requiring taxpayers to report holding of tax-exempt securities. That, in 1932, Andrew W. Mellon, on the expressed ground that he wished to divest himself of business cares and devote himself more thoroughly to "philanthropic matters in which I am particularly interested," had turned over millions of dollars in securities to his two children but he had indirectly retained control over those securities. The data as produced by Andrew W. Mellon's financial secretary was specific as well as highly complicated, but out of it all seemed to protrude the fact that there was no time at which Mellon did not ingeniously safeguard his cash interests. At this writing no decision by the Board of Tax Appeals has been made. R. B. Mellon died in 1933, leaving an estate which, in a document filed by appraisers with the Register of Wills, in Pittsburgh, in May 1935, was valued at $21,615,000, not including real estate. Almost all of that sum was represented by stocks. A few years previously his wealth had been estimated at a much greater amount, but the slump in stock prices had doubtless affected it.

TOUCHING UPON THE DU PONTS

However abbreviated, a competent description of the origin and expansion of the du Pont fortune would entail chapter after chapter. It would have to begin more than a century and a quarter ago when a du Pont established the first small gunpowder plant in Delaware, and give the history up to the present of E. I. du Pont de Nemours & Company, leading manufacturers of explosives. Long the dominating financial power in Delaware, the du Ponts sequentially developed political power. After two decades of leadership in the Republican organization of that State, T. Coleman du Pont was elected United States Senator in 1921. He was of the Kentucky branch of the du Pont family and, in 1902, had been made head of the du Pont plants after the death of Eugene du Pont. T. Coleman du Pont died in 1930. From 1916 to that date he had made gifts of more than $10,000,000, mainly to members of his family, and he left an estate appraised in 1933 at $17,520,642—an estate which, of course, had been larger during the times when stock prices were high.

WORLD WAR PROFITS

From the World War's start American manufacturers of munitions made huge profits. The startling facts regarding these were brought out, in 1934, by a Special Committee of the United States Senate investigating the munitions industry. According to the committee's findings, E. I. du Pont de Nemours & Company took in a gross of $1,245,000,000 for supplying material to warring Governments, including the American, between 1915 and 1918, inclusive, and during that period paid dividends of 458 per cent on a par value of its stock. Further, that a large part of these profits were so arranged as to be used as funds for a great expansion of the company's activities in the peace years following.

As high as 80 per cent of profits, the du Ponts asserted in reply, went to pay excess profit taxes. Their clear profit from war sales was, however, extremely large. This was convincingly shown by the opulent dividends distributed by the du Pont Company; on the common stock a regular dividend of $1.50 and an extra dividend of $28.50 in 1915; a regular dividend of $6.00 and an extra dividend of $94.00 in 1916; a regular dividend of $18, and an extra dividend of $33 in 1917; a regular dividend of $18 and an extra dividend of $3 in 1918. Six of the du Pont family were listed as in the class of multimillionaires each having in war and post-war years a yearly income of $1,000,000 or more. This list also included, it may be here noted, the names of J. Pierpont Morgan, James B. Duke, Andrew W. Mellon, Arthur Curtiss James, George F. Baker, Henry Ford, and sundry others—one hundred and eighty-one individuals in all.

ABUNDANT FUNDS TO EXPAND

The seizure of German patents by the United States Government, in 1917, after America's entry into the War opened the wide way to the du Ponts embarking in the dyestuffs industry. Their scope was enlarged to include the making of rayon, paints, lacquers, varnishes, cellophane, ammonia, acids, chemicals of various kinds and other products. The capitalization of the E. I. du Pont de Nemours & Company was expanded to $450,000,000 of which the greater part in 1936 was outstanding stock. The company's net income in 1935 was a shade more than $62,000,000. The control of this company, as shown by returns to the Securities and Exchange Commission in 1936, was vested in nine of the du Ponts, eight of whom were directors, and five heavy stockholders.

Obviously, with their enormous revenues, ever piling up, the du Ponts were in an opportune position to extend their holdings and by the sovereign impact of their cash make themselves overlords in other industrial fields. In the diversity of their investments, a foremost possession is their great ownership of stock in the General Motors Corporation, automobile manufacturers. A report of the Securities and Exchange Commission, on July 16, 1936, showed the enormous du Pont holdings. Indirectly, through the General Motors Securities Company, the E. I. du Pont de Nemours & Company owned 9,843,750 shares, which at stock market prices had a value of about $690,000,000. At the same time the du Pont Company was the "beneficial owner" of 156,250 shares, and four of the du Ponts were directors of General Motors Corporation, with a direct total ownership of 222,615 shares.

ONE BIG FACT ABOUT HENRY FORD

But we cannot suffer this epilogue to run on interminably. The temptation is strong to include a sketch of Henry Ford's career, but even this would be of great length. One outstanding fact will merely be noted. What has been the result to the Ford Motor Company of 33 years of manufacturing? On this point we have the statement of his own spokesman, William J. Cameron. In a radio address on June 14, 1936, Cameron declared that the Ford Motor Company in that period had made 24,500,000 automobiles, the profit on which was $782,016,144 or an average of $20 a car.

The purport of Cameron's statement, thus put forward in behalf of the Ford Motor Company, was to show that the profits of the company were by no means as great as commonly supposed. He figured out the $782,016,144 as profits after deducting taxes and other commitments. He admitted that "it looks like a lot of money" but he explained that much of it had gone into company plants. He might have added that whether the profits were distributed or partly used to enlarge plants, the result was the further enrichment of the Fords. The financial results of years vary, but we have some criterion of the great income of the Fords personally from the Federal income tax they paid in 1925. In an earlier chapter we have explained that this was the only year in which Federal income-tax payments were made public, and we gave the sums paid by Henry Ford and his son Edsel Ford. In that year they, with one exception, headed the list of the twenty-five largest income-tax payers in America. Henry Ford paid $2,608,806, and Edsel Ford $2,158,055 Federal income tax.

INSTANCING WOOLWORTH

And, much as the necessity presses to bring this matter to a close, we have to mention at least one of the large fortunes derived from 5 and 10 cent chain stores. From his multitude of chain stores F. W. Woolworth derived a fortune estimated at $35,000,000 at his death in 1919. So fast did profits roll in that in 1926 a stock dividend of 50 per cent was declared. When his widow died, in 1924, her estate, valued at $55,416,721 net, was bequeathed equally to her two daughters Helena W. McCann and Mrs. Jessie W. Donahue, and a granddaughter, Barbara Hutton. Woolworth's two daughters in 1936 were the two largest stockholders of the F. W. Woolworth Company common stock—Mrs. McCann owned 565,006 shares and Mrs. Donahue, 609,250 shares.

20½ PER CENT PROFIT—AND WAGE REDUCTIONS

A few years ago, on the occasion of the fiftieth anniversary, the F. W. Woolworth Company published a glowing eulogy of the founder and an exaltation of the company's progress. The reverse side was brought out in Congress where complaints were made of the salesgirls in the establishment having to work for a wage of $11 a week. Also, on December 11, 1934, there was disclosed at Ottawa the same situation by the Canadian Parliamentary Commission investigating mass buying and chain stores. Leslie G. Harrington, manager for Canada, of the F. W. Woolworth Company admitted that while making profits of 20½ per cent, the company, in 1932-1933 had reduced the wages of its employees 10 per cent. The average weekly wage, he stated, for full-time saleswomen in Woolworth stores in Canada was $10.80, and some were getting as little as $7. Questioned by the Commission's counsel as to what was the justification for the company's making this wage cut when it was drawing such handsome profits, Harrington gave the reason. The wage reduction, he explained, was demanded by the New York office because a similar cut was being made in the United States.

And so, having a roster of more multimillionaires in reserve, we call a halt to this edifying history, the facts in which impart their own moral and conclusion.

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